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# ***Daily Report***

# **China**

FBIS-CHI-92-235  
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7 December 1992

# Daily Report

## China

FBIS-CHI-92-235

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7 December 1992

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

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## General

### Foreign Minister Hails International Image

OW0512160792 Beijing XINHUA in English  
1533 GMT 5 Dec 92

[Text] Beijing, December 5 (XINHUA)—In the present changing international situation, China has kept its political stability, and while Western countries have suffered an economic depression, China's economy has been advancing rapidly.

Chinese Foreign Minister Qian Qichen made these remarks today when he was addressing a special meeting on the international situation and foreign relations sponsored jointly by several party, state, and army units.

Qian noted that in the past 14 years since the Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) held in late 1978, the international situation has greatly changed and the world forces of various kinds have been constantly reorganized.

Especially since 1989, the international situation has witnessed a remarkable change though there was not a world war, he said.

China has observed the changes calmly and kept concentrating efforts on its economic development and succeeded.

At the same time, China has made noted achievements in its foreign affairs, with its international image and status greatly enhanced, Qian said.

The foreign minister stressed that China has entered a new stage in its reform, opening up and modernization drive since Deng Xiaoping's important speech made during his south China tour early this year.

For China, the current international situation presents challenges as well as opportunities, and the key is to grasp the opportunities to develop China's economy so as to strengthen the comprehensive national power and enhance the status of the country in the international community.

### UN Envoy: PRC 'Has Reservations' on Somalia

HK0512091292 Beijing XINHUA Domestic Service in Chinese 0834 GMT 4 Dec 92

[By correspondent Liu Huorong (0491 3499 2837)]

[Text] United Nations, 3 Dec (XINHUA)—In his speech at the UN Security Council on 3 December, Li Daoyu, China's permanent representative to the United Nations, pointed out that China supports efforts to seek a solution to Somalia's crisis within the UN framework, but added that China has reservations on some countries resorting to military action.

At a meeting of the UN Security Council held to discuss the Somalia issue on the afternoon of 3 December, Li Daoyu said that, in view of the fact that the chaotic situation in Somalia has lasted for some time and out of deep sympathy for the misfortune of the Somali people, China has endorsed the request of most African countries and the recommendations of the UN secretary general that the United Nations take prompt, strong, and exceptional measures to settle the Somali issue.

The resolution adopted at a UN Security Council meeting on 3 December authorized the establishment of a U.S.-led multinational force and the use of force to establish a secure environment as soon as possible for humanitarian relief operations within Somalia. China and the other 14 members of the Security Council all voted in favor.

Li Daoyu pointed out that the resolution has reflected the recommendations of the UN secretary general and the demands of most countries to a certain extent; however, the resolution has authorized some countries to resort to military action, and this may bring adverse effects to the collective role of the United Nations. We hereby express our reservations on this. He said: China's understanding is that, according to the UN secretary general's recommendations, the military operation authorized by the resolution is an exceptional action for the unique situation in Somalia, and its purpose is to promptly create a secure environment in a short period for the humanitarian relief effort in Somalia. Once such an environment has been created, the military operation should cease.

He maintained that the UN Security Council and the secretary general should be empowered to make decisions regarding the control and duration of such an operation. Li Daoyu hoped that all the parties concerned in Somalia will cooperate with the United Nations and the international humanitarian relief agencies, will cease firing immediately, and will restore law and order to ensure the smooth conduct of relief efforts.

### XINHUA—U.S. Seeking 'Benefits' in Somalia

OW0512125092 Beijing XINHUA Domestic Service in Chinese 1627 GMT 4 Dec 92

[“News analysis” by XINHUA correspondent He Dalong (0149 1129 7127): “Why Is the United States Enthusiastically Sending Troops to Somalia?”]

[Text] Washington, 3 Dec (XINHUA)—On the evening of 3 December the U.S. White House issued a statement welcoming a just-adopted UN Security Council resolution concerning a military relief operation to Somalia.

According to Pentagon officials, three U.S. naval ships, with 1,800 marines on board, have already been deployed to the coastal waters of Somalia. They will be able to take action as soon as they receive their orders. In addition, 16,000 troops from the First Marine Expeditionary Force in California and 10,000 troops from the

Army's 10th Division in New York State have already received orders and are ready to leave for Somalia.

The dispatch of U.S. troops to Somalia on a military mission was voluntarily offered by U.S. Government to the UN general secretary. This U.S. offer is in sharp contrast with its reluctance to intervene militarily on the issue of the former Yugoslavia. Why is U.S. Government so enthusiastic this time?

First, Somalia's situation is providing the U.S. Government with an opportunity. At present, Somalia is distressed by serious famine and constant fighting. Some 300,000 people have died from these calamities and 2 million people are fighting with hunger. The UN relief work has been severely obstructed, relief materials have been looted repeatedly, and trucks and ships carrying relief materials have been attacked. Even the lives of 500 UN security guards from Pakistan have been threatened. It will be difficult for UN relief work to continue if no emergency measures are taken.

Next, the U.S. domestic situation requires the U.S. Government to take some major actions in foreign affairs. Since the presidential election in November, U.S. foreign affairs have been in a situation described by observers here as a "vacuum." The Middle East peace talks have come to a halt, and neither President Bush nor President-elect Clinton have proposed any effective actions for promoting the peace talks. Political and economic disturbances in some CIS nations are intensifying, the proliferation of their nuclear weapons is likely, and agreements on the reduction of strategic weapons signed between those countries and the United States have not been implemented, but U.S. Government now has no time to attend to these matters. While war in the former Yugoslavia is likely to spread, the United States is unable to deal with this potential danger. Facing such a situation, even Nunn, chairman of U.S. Senate Armed Services Committee, has cried out in alarm that, as far as U.S. diplomacy goes, the "clock has stopped." In order to improve the situation, President Bush has chosen to take some action over the Somalia issue to display the "leading role" of the United States as a world "superpower."

Third, a military operation in Somalia is of little risk to the United States. The U.S. military believes that it is easy for U.S. military vehicles, helicopters and other advanced equipment to operate in Somalia, because its land is level, with very little jungle terrain. According to U.S. intelligence estimates, resistance will not be strong and no large-scale hostilities are expected in Somalia. So, U.S. troops will not face too much danger, nor will they risk heavy casualties in the course of performing their tasks of protecting airports, harbors and land transportation routes. Acting U.S. Secretary of State Eagleburger said that the situation in Yugoslavia is "much more complex" than the situation in Somalia, the tasks in the two countries are different due to different conditions and terrains, and we may not accomplish in Yugoslavia what we can accomplish in Somalia.

Fourth, the operation in Somalia will bring strategic benefits to the United States. Somalia, situated on the "Horn of Africa," controls the Red Sea estuary and the passage between the Arabian Sea and the Mediterranean Sea. During the Cold War era, Somalia was in the sphere of influence of the former Soviet Union. Today, Somalia is in anarchy, and such a situation no doubt provides the United States with a good opportunity to expand its influence in that region.

One thing merits people's attention—the U.S. Government insists that U.S. troops in Somalia be under the command of U.S. military personnel, not the United Nations. After some haggling, the United Nations decided that the operation remain a UN multinational operation and the multinational forces, with U.S. troops as the main force, be under the command of a U.S. general.

With some misgivings about the U.S. Government, representatives from some African countries emphasized during a UN Security Council discussion that the Somalia operation is a UN operation, not a U.S. operation, and that the UN operation must not become a U.S. operation. African nations also made the following proposals: Although U.S. troops are the main force in the operation, they must act according to UN Security Council resolutions. The UN Security Council should adequately supervise U.S. troops; and they should not be given as much power as in the Gulf War. Once a secure environment is established in Somalia, UN peace-keeping forces should immediately replace the U.S. troops there.

U.S. Government decision also met opposition at home. Congressman (Mosa) holds that the United States, though a superpower, is financially strapped and is unable to foot the bill for a large-scale military operation in Somalia. He is asking U.S. allies, particularly Japan and the rich oil-producing nations around Somalia, to pay for the U.S. military operation—as they did in the Gulf War.

#### Foreign Minister Meets Asian ESCAP Leader

OW0412141592 Beijing XINHUA in English  
1322 GMT 4 Dec 92

[Text] Beijing, December 4 (XINHUA)—State Councillor and Foreign Minister Qian Qichen met with Executive Secretary of the Economic and Social Commission for Asia and the Pacific (ESCAP) Rafeeuddin Ahmed here today.

Qian is also chairman of the 48th session of ESCAP.

Ahmed is participating in the "meeting to launch the Asian and Pacific decade for disabled persons" here, sponsored by ESCAP.

Qian and Ahmed exchanged views on the follow-up issues of the 48th session of ESCAP and preparations for

the 49th session, to be held next year, as well as the situation in the Asia-Pacific region.

Qian said that the Chinese Government has been paying great attention to cooperation with ESCAP. This time the two sides are jointly holding the meeting in Beijing, embodying the friendly cooperative relations between the two sides.

Qian said that the draft proclamation on the full participation and equality of disabled people in the Asian and Pacific region, to be adopted in the meeting, will further promote the development of the cause of disabled persons in the region. The Chinese Government is ready to make efforts jointly with the secretariat of ESCAP to work on the follow-up issues of the 48th session of ESCAP and further promote cooperation in the Asia-Pacific region.

Ahmed expressed his thanks to the Chinese Government for its cooperation with and support for the secretariat of ESCAP.

Deputy Foreign Minister Liu Huaqiu and chairman of the China Disabled People's Federation Deng Pufang were present at the meeting.

#### Minister Supports UN Efforts on Food Problem

OW0612015892 Beijing XINHUA in English  
0146 GMT 6 Dec 92

[Text] Rome, December 5 (XINHUA)—The Chinese delegate to a world nutrition conference said on Saturday the Chinese Government supports United Nations efforts to solve the problem of food and nutrition.

According to Chen Minzhang, who is heading the Chinese delegation and also serves as Chinese public health minister, "the problem of food and nutrition is still a pressing issue facing the international community today which refuses to be ignored."

He briefed some 1,000 delegates from as many as 150 countries on the situation in China regarding food and public health. The conference was organized by the Food and Agriculture Organization (FAO) and World Health Organization (WHO), both U.N. agencies.

Conference participants pointed out that food is in sufficient quantity to feed the whole world today. But because of war, famine and the gap between rich and poor, millions are dying of hunger while others are suffering from malnutrition.

FAO Director Edouard Saouma and WHO Director Hiroshi Nakajima also spoke at the conference, which will last until December 11.

#### Overseas Scholars Invited to Anhui University

OW0612014492 Beijing XINHUA in English  
0112 GMT 6 Dec 92

[Text] Hefei, December 6 (XINHUA)—The Chinese University of Science and Technology in this capital city of east China's Anhui Province has decided to invite senior overseas Chinese scholars to work as part-time teachers or researchers at the school.

The service term for such scholars is usually three years, and they can work in the university for one to three months every two years.

The university is one of the leading schools of higher learning in China, and in the past years, it has sent many men of letters to study abroad. Among them, many have already returned after finishing their studies, and they are now holding important positions in the school.

The new move is designed to facilitate those still studying or working abroad.

It is learned that other schools of higher learning in China are adopting measures in the same line to welcome scholars back to serve the country's modernization drive.

#### United States & Canada

#### Journal Views 'Likely' Clinton Foreign Policy

HK0512085492 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 48, 30 Nov 92 pp 26-27

[Article by Sa Benwang (5646 2609 2598): "A Tentative Study of Clinton's Foreign Policy Trends"]

[Text] Bill Clinton has won the U.S. presidential election with an overwhelming victory by hoisting the banner of "change" in line with the psychology of the U.S. public, which was calling for change under the situation of a sustained U.S. economic recession with social problems cropping up. Clinton is currently busy organizing a new administrative body and formulating a platform for the new administration to make preparations for his official inauguration in the White House on 20 January 1993. Although his primary task is to deal with the domestic economic and social bottlenecks when he takes office, as president-elect of the world's only superpower, he cannot afford to neglect U.S. foreign policy.

Viewing the speeches Clinton made during the electoral campaign, our initial impression is that the basic trends of U.S. foreign policy after he takes office will be the following: Clinton will continue the major foreign policy readjustment, which the Bush administration has already started, to suit the tremendous changes in the international situation; while maintaining the continuity of U.S. foreign policy, there will be some change in focus to gradually reflect the president-elect's own characteristics and the imprint of the Democrats; and efforts will

be made to complete the change to "U.S. foreign policy in the post-Cold War period" as quickly as possible.

Regarding the general guiding thinking for foreign policy, it seems that Clinton is to make adjustments, on the basis of inheriting the U.S. tradition, in the following aspects:

First, concerning foreign policy goals, Clinton, as always, will stress that foreign policy serves the protection and promotion of U.S. national interests and value concepts. National interest, the "pragmatic goal," which is more directly seen, will be placed above all else. At the same time, the United States "leading role" in world affairs will be promoted. Compared with the Bush Administration, the Clinton Administration will more actively propagate such concepts as U.S.-style "human rights," "democracy," and "freedoms" in various parts of the world. This reflects the "idealist" color which the U.S. Democrats have always brought with them as well as Clinton's own characteristics. During the electoral campaign, Clinton repeatedly stated that "the American dream should be restored" worldwide and explicitly said that he would make the "realization of global democratization" the general program for U.S. foreign policy. He stated: "To the United States, a global retreat or a situation of underestimating all sorts of danger is wrong. To do so means an overall retreat from all that we, as Democrats, have hoped to achieve. Defending global freedom and promoting democracy so that personal freedom, political pluralism, and free enterprises will take root in Latin America, Eastern Europe, Africa, Asia, and the former USSR is not only a reflection of U.S. value concepts but also has a direct bearing on U.S. national interests."

Second, on the utilization of diplomatic means, the practice of using various U.S. means in a comprehensive way to push the realization of foreign policy targets will remain unchanged, but the role of economic means and ideological infiltration will be given more prominence. Clinton said: "We should use our diplomatic and economic means to enable those countries advancing toward democratization to obtain practical encouragement, while making those countries that refuse democratization to pay higher prices." He set out the need to "increase foreign democratic aid," "to encourage the Agency for International Development and United States Information Service to spend more of their resources in promoting democracy." He stressed, "the irresistible force of ideological concept is dominant in the information age," and set out the "establishment of the Free Asia Radio Broadcast Station," and "the Democracy Corps" to disseminate U.S. "democratic ideals" throughout the world. At the same time, Clinton explicitly stressed: "Although military strength is vitally important to U.S. national security, its practical value is falling in comparison with economic strength."

Third, in the relationship between foreign and domestic policies, a principle of combining domestic and foreign policies into one will be continued, with greater stress on

diplomacy serving domestic affairs, especially reinvigorating the U.S. economy. Clinton said: "We must remove the wall between domestic and foreign policies in our minds." "In the world today, foreign and domestic policies are inseparable. If U.S. domestic strength is weak, it is impossible for us to play a leading role in the world." Clinton stressed: "Success in the international economy is the core of U.S. national security in the 1990s." "We must formulate a national strategy which will achieve victory in global economic competition, and we must come up with a new trade policy." All diplomatic efforts must primarily proceed from improving the United States' economic position in the world.

Based on the aforesaid adjustment in the guiding thinking for foreign policy, Clinton is likely to adopt major measures in his foreign policy as follows:

First, augmenting aid to the CIS and various East European countries to make them further "realize non-militarization, while establishing free political and economic mechanisms." Clinton stressed that this is the key to "global democratization," and "the result will determine the features of the next century." He criticized Bush for "more often than not hesitating to support the democratic forces in these countries."

In addition, Clinton said, "we should do all we can to coordinate with the allies to provide aid to various republics in the former USSR," and "encourage the U.S. people to invest in the former USSR." He recognized that "it will be politically unpopular to support foreign aid" in times of U.S. economic recession, but stressed that "spending not too much money to help the democratic forces in the former USSR to stand firm will save a lot of money for probable future defense spending." "Sooner or later, the various republics in the former USSR and Eastern Europe will become a profitable market for the United States."

Second, concerning the U.S. allies, Western Europe and Japan, while continuing to maintain their partnership under U.S. leadership, more importance will be attached to mutual competition. Clinton acknowledged that the U.S. international position—especially its international economic position—was relatively on the decline. He said: "We are lagging behind our chief competitors such as Europe and Japan." "The United States has been reduced to the world's largest debtor country from the world's largest creditor country, with a volume of foreign debts soaring to \$405 billion. How can such a nation lead other countries? Under the condition that the United States has to rely on foreign financial support up to \$100 billion a year, we are no longer the masters of our own fate." To deal with the increasingly serious challenge of Europe and Japan, Clinton stressed the need to "rebuild U.S. economic superiority," press other countries to open their markets to the United States, and "make international competition fair, while telling our European, Japanese, and other trade partners that we will not follow their rules if they do not do business according to the

rules of the open trade system." At the same time, Clinton is likely to further demand that Europe and Japan share more of the United States' international burden. Clinton stressed: "We should shift the burden onto the alliance in which more countries have participated," "reach a new accord with the allies on sharing expenditure and risks," and "encourage the EC to open up to various East European countries, while allowing them to enjoy associate status."

Third, Clinton will continue to push the Middle East peace progress forward, while augmenting relations with Israel. He praised Bush's promotion of the Middle East peace talks as a "great diplomatic success," while criticizing Bush's "practice of openly pressing Israel to compel it to submit was wrong," and stressed that "the United States should maintain strategic relations with Israel, the sole democratic country in the Middle East region."

Fourth, he will continue to push armament control and disarmament progress. Clinton said, "It is imperative for us to redouble our efforts to halt the proliferation of weapons of mass destruction, and adopt stern punitive measures against countries and companies that sell those technologies." At the same time, he said that the United States would maintain the status of the mightiest military power. Fifth, Clinton will attach greater importance to the role of international organizations, including the United Nations. He stressed the need to "give play to the UN role in the original concept of Presidents Roosevelt and Truman." It is necessary to "enlarge the Security Council, absorbing Germany and Japan to become its permanent members. The work efficiency of UN organizations should be improved, and various plans should come under discussion and study, for example, the building of UN rapid-reaction forces so that the UN's successful role in mobilizing international participation in the Desert Storm will become an established system." Clinton also advocated solutions to such global issues as environmental protection, population control, anti-drug-trafficking and anti-terrorist activities through international organizations, including the UN.

Sixth, on policy toward China, Clinton acknowledged the importance of Sino-U.S. relations on the one hand, saying that he did not want to isolate China. On the other hand, he stated that he would link U.S. relations with China to China's "human rights conditions" and "its degree of opening up to the United States."

Of course, when Clinton officially takes office, he will further adjust U.S. foreign policy in its specific implementation by suiting it to reality and changes in the world situation. We will continue to observe to see what he will do next.

### U.S. Senators Visit Tibet, Shanghai

OW0512160992 Beijing XINHUA in English  
1540 GMT 5 Dec 92

[Text] Beijing, December 5 (XINHUA)—A group of U.S. senators left Lhasa today, ending their one-day visit to the Tibet Autonomous Region.

The seven-member group led by Senator Claiborne Pell, chairman of the Senate Foreign Relations Committee, and Senator Carl Levin, member of the Senate Armed Services Committee, arrived in Lhasa Friday morning as the first group of American senators to visit Tibet.

After their arrival, they visited the Zhebung Lamasery, the largest lamasery in the world, the Jokhang Monastery, central Lhasa's Barkhor Street, as well as Norbu Lingka, the summer palace of the Dalai Lama, and other places of interest. They also viewed religious rites being held by Tibetans.

Friday evening, Raidi, chairman of the Tibet Autonomous Regional Committee of the Chinese People's Political Consultative Conference, met with the American guests and hosted a dinner in their honor.

In a toast, the Tibetan leader said that over the past 40 years, "there has been great development in the political, economic, cultural and other fields in Tibet, and the Tibetan people's living conditions have been tremendously improved."

Raidi welcomed the visit of the U.S. senators and said it would help enhance the friendly ties between Tibet of China and the United States.

Pell and Levin expressed their gratitude to the Tibetan departments concerned for the assistance in their visit.

They said they were impressed by the progress Tibet has made in economic construction and in opening to the outside world.

The seven U.S. visitors left Lhasa by air today for Chengdu, capital of Sichuan Province, southwest China.

Another group of U.S. senators led by David L. Boren, chairman of the Senate Intelligence Committee, visited Shanghai today.

Wu Bangguo, member of the Political Bureau of the Central Committee of the Chinese Communist Party (CPC) and secretary of the CPC Shanghai Municipal Committee, met with Boren and his party this evening.

During the meeting, Wu said that Shanghai cherishes its relations with the U.S. and he hoped that more U.S. friends would come and visit the city.

Boren said his China visit has left him a deep impression and expressed the belief that the good investment environment in Shanghai would draw more foreign investors.

Tonight, the American guests visited the brightly-lit Bund and Nanjing Road in the largest city of China.

### Article Discussing U.S. China Policy Noted

OW0712052392 Beijing XINHUA in English  
0507 GMT 7 Dec 92

[Text] Washington, December 6 (XINHUA)—The United States today runs the very real danger of pursuing a "self-defeating policy of benign neglect or overt hostility" towards China, says a signed article.

The article, written by Barber Conable, chairman, and David Lampton, president, of the National Committee on United States-China Relations, points out that the United States is doing so at a time when no other country in the world is pursuing such a course.

The article, which appears in the winter 1992-93 issue of the American journal FOREIGN AFFAIRS, warned that "America may be in more peril of being isolated than China, if the trends of the recent past continue."

The damage could be widespread to the United States' economic future, its relations with other countries and its hopes for cooperation on global problems, they say.

Noting that China's strategic value is inaccurately perceived as having greatly diminished following the collapse of the Soviet Union, the article advised the Clinton administration to premise its policy on the fact that China is important to America's interests and avoid a dangerous worsening of U.S.-China relations.

Disagreeing with those who argue that American interests in China are secondary in the wake of the Cold War's end, the article insists that the intrinsic importance of the U.S.-China relationship is growing along several other dimensions—in global, regional, and bilateral categories.

They call for a "policy of active involvement" in U.S.-China relations, which consists of the following elements: Vigorous engagement, diversification, multilateralization, and recognition of interdependence.

Vigorous engagement means, they explain, involving Chinese leaders and organizations at the highest levels in a dialogue about the problems and opportunities that America and China face together. "To apply broad sanctions in the absence of dialogue, in order to achieve ill-defined purposes, is a formula for ineffective and counterproductive policy," they stress.

### Central Eurasia

#### Kozyrev Notes Importance of 'Good' PRC Ties

OW0512015192 Beijing XINHUA in English  
0141 GMT 5 Dec 92

[Text] Moscow, December 4 (XINHUA)—It is important for Russia and China, the two big Asian countries,

to form a comprehensive and good neighbourly relationship with each other, Russian Foreign Minister Andrey Kozyrev said at the international press center in Moscow Friday.

Kozyrev believes this relationship surely would be a stabilizing factor in the central and southern Asian regions.

This was part of Russia's effort to establish good relations with its neighbors, he explained.

Russian President Boris Yeltsin will pay a visit to China in the middle of December.

The purpose of the foreign minister's remarks was to create a good foreign environment for economic, political and social reform in Russia. It is imperative that Russia set up good relations with neighboring countries, including other CIS states, Kozyrev said.

### XINHUA: Crime in Russia Sets New Record

OW0312175392 Beijing XINHUA in English  
1554 GMT 3 Dec 92

[Text] Moscow, December 3 (XINHUA)—Crimes in Russia in the first 10 months of this year numbered a record 2.25 million, an increase of 21 percent over the figure for the same period last year, ITAR-TASS reports today.

Between January and October 18,170 murders were committed and 120,000 robberies were reported to the police.

Rape, however, registered a slight decrease, which some experts attribute to an increase in prostitution.

Economic crimes also declined—by 21 percent to a total of 110,467. But it is believed that the figure does not reflect reality.

### Southeast Asia & Pacific

#### Premier Li Peng Completes Visit to SRV

##### Sino-SRV Communique Released

HK0712073092 Beijing RENMIN RIBAO in Chinese  
5 Dec 92 pp 1, 4

[Report: "Sino-Vietnamese Joint Communique" in Hanoi on 4 Dec]

[Text] Hanoi, 4 Dec (RENMIN RIBAO)—Both sides unanimously hold that further consolidation and strengthening of the good-neighborly, friendly, and cooperative bilateral relations are in conformity with the fundamental interests and common aspirations of the two peoples and are beneficial to peace, stability, and development in the region.

Both sides signed the following government-to-government agreements: an agreement on encouragement and guarantee of investments, an agreement on economic and technical cooperation, an agreement on science and technological cooperation, and an agreement on cultural cooperation.

Both sides agreed that while they continue to hold expert-level negotiations, negotiations at the governmental level will begin as soon as possible to achieve unanimity on fundamental principles for resolving the territorial and boundary disputes in accordance with the generally recognized principles of international law and, on the basis of these principles, both sides will accelerate the process of negotiations to settle the territorial and boundary disputes, including those on land and at sea, at an early date. Pending a settlement, the two sides will not conduct activities which will further complicate the territorial and boundary disputes.

Both sides advocated, on the basis of the Five Principles of Peaceful Coexistence, establishing a new world order of peace, stability, equality, and justice.

Both sides welcomed the new developments in relations among countries in the Southeast Asian region and Asia, and pledged that they will contribute efforts to promote peace, stability, and cooperation in the region.

When Chinese Premier Li Peng concluded his visit to Vietnam on 4 December, both sides issued a Sino-Vietnamese Joint Communique. The full text of the communique follows:

1. At the invitation of SRV Prime Minister Vo Van Kiet, Chinese Premier Li Peng paid an official friendship visit to the SRV from 30 November to 4 December 1992.

Premier Li Peng held talks with Prime Minister Vo Van Kiet, Do Muoi, general secretary of the Communist Party of Vietnam [CPV] Central Committee; Le Duc Anh, president of the state; and Nguyen Van Linh and Pham Van Dong, advisers to the CPV Central Committee also met with Premier Li Peng.

The talks and meetings were held in an atmosphere of friendship, sincerity, frankness, and mutual respect and understanding.

2. Both sides reviewed the latest developments in their bilateral relations since the Vietnam-China summit in November 1991. Both sides unanimously hold that further consolidation and strengthening of the good-neighborly, friendly, and cooperative bilateral relations are in conformity with the fundamental interests and common aspirations of the two peoples and are beneficial to peace, stability, and development in the region.

On the basis of the results of the bilateral talks, both sides signed the following bilateral agreements: an Agreement on Encouragement and Guarantee of Investments, an Agreement on Economic and Technical Cooperation, an Agreement on Science and Technological Cooperation, and an Agreement on Cultural Cooperation.

3. Both sides exchanged views on resolving outstanding problems in bilateral relations. Both sides agreed to take effective measures to ensure that the aforementioned four agreements and the eight agreements signed previously—namely, the Trade Agreement, the Provisional Agreement on Controlling Border Affairs, the Agreement on Economic Cooperation, the Agreement on Mutual Exemption of Visa, the Agreement on Trans-Border Railways, the Agreement on Shipping, the Agreement on Posts and Telecommunications, and the Agreement on Civil Aviation—are comprehensively implemented to promote stable and effective cooperation between the two countries in various spheres.

4. Both sides reasserted the agreements reached at the Vietnam-China 1991 Summit that they would settle bilateral territorial and boundary disputes through peaceful negotiations. Both sides agreed that while continuing to hold expert-level negotiations, negotiations at the governmental level will begin as soon as possible to achieve unanimity on fundamental principles for resolving the territorial and boundary disputes in accordance with the generally recognized principles of international law and, on the basis of these principles, both sides will accelerate the process of negotiations to settle the territorial and boundary disputes, including those on land and at sea, at an early date. Pending a settlement, the two sides will not conduct activities which will further complicate the territorial and boundary disputes.

5. Both sides reasserted agreements reached by leaders of the two countries as stated in the "Sino-Vietnamese Joint Communique" dated 10 November 1991 concerning the Taiwan issue.

6. Both sides informed each other of the political and economic situation in their respective countries.

The Chinese side presented the situation of accelerating reform and opening up and building socialism with distinctive Chinese characteristics and the great achievements scored by the Chinese people, who are united as one under the guidance and encouragement of the spirit of the 14th CPC National Congress. The Vietnamese side presented the great, important achievements scored by the Vietnamese people in the renovation undertaking in various domains under the leadership of the CPV and in line with the orientations set by the Seventh CPV National Congress to build a rich, strong, and prosperous Vietnam.

7. Both sides exchanged views on international issues of common concern. They contended that the world is now in an historical period of great upheaval. The bipolar pattern has ended, and the world is developing in a multi-polar direction. Peace and development are still the two major goals of the world today. Both sides advocated, on the basis of the five principles of peaceful coexistence, establishing a new world order of peace, stability, equality, and justice.

8. Both sides contended that maintaining peace and stability in the Asia-Pacific region and strengthening

economic cooperation among countries and between regions conform with the common aspirations and fundamental interests of the people of various countries in the region. Both sides maintained that differences and disputes between countries should be settled peacefully through negotiations in accordance with the United Nations Charter and international laws without the use of force or the threat of force. Both sides welcomed the new developments in relations among countries in the Southeast Asian region and Asia, and pledged that they will contribute efforts to promote peace, stability, and cooperation in the region.

9. As signatory countries to the Paris Agreement on Cambodia, both sides expressed their desire, together with the countries and factions concerned, to make positive efforts to promote the comprehensive and strict implementation of the Paris Agreement, so that national reconciliation and concord can be realized in Cambodia and the country can be built into a peaceful, independent, neutral, and nonaligned country having friendly relations with all countries, and so that contributions can be made to consolidating peace and stability in the Southeast Asian region.

10. Premier Li Peng sincerely thanked the Vietnamese Government and people for their solemn and friendly welcome.

Premier Li Peng invited Prime Minister Vo Van Kiet to pay an official visit to China at a convenient time, and the latter accepted the invitation with pleasure. The date of the visit will be agreed upon through diplomatic channels.

#### Visit 'Complete Success'

CM0712143792 Beijing *RENMIN RIBAO* in Chinese  
5 Dec 92 p 1

[Editorial: "Push Forward a Sustained and Steady Development of Sino-Vietnamese goodneighborly Relations—Warmly Congratulating the Complete Success of Premier Li Peng's Visit to Vietnam"]

[Text] From 30 November to 4 December, Premier Li Peng paid an official friendship visit to the Socialist Republic of Vietnam at the invitation of Vietnamese Premier Vo Van Kiet. The visit—the first by a Chinese leader since Sino-Vietnamese relations were normalized a year ago and also the first visit to Vietnam by a Chinese premier in 21 years—is a major event in the history of Sino-Vietnamese relations and has attracted widespread, international attention. The successful visit is not only of great significance to the continued advancement of Sino-Vietnamese relations, but also it will have a positive impact on regional peace, stability, and cooperation. We would like to extend warm congratulations to the complete success [yuan man cheng gong 0955 3341 2052 0501] of Premier Li Peng's visit to Vietnam.

Premier Li Peng and his entourage were accorded a warm welcome and reception by the Vietnamese Government and people. Vietnamese public opinion generally holds that the Chinese premier's visit, which took place immediately following the conclusion of the 14th CPC National Congress, is an indication of the importance China attaches to the development of Sino-Vietnamese relations. International public opinion also holds that the visit is a major diplomatic move by China. The short but tightly scheduled visit comprised varied and colorful activities. Premier Li Peng held several talks and meetings with Vietnamese leaders, visited the countryside and factories, and had extensive contacts with Vietnamese workers, farmers, and people from other circles. In the spirit of opening up the future with positive efforts, the two sides conducted earnest discussions on ways to further develop bilateral relations. Both sides unanimously affirmed the progress made in bilateral relations since Sino-Vietnamese relations were normalized. They emphasized that conditions are very favorable to the development of mutually beneficial cooperation. The two close neighbors—both of them are persisting in economic construction as their central task and implementing reform and opening up—are economically mutually complimentary; the potential for cooperation is great. The two sides indicated that they would take steps to earnestly advance mutually beneficial cooperative relations in all areas. The four agreements signed during the visit are a manifestation of this common desire. Expanding economic cooperation and trade is an essential component in the further development of Sino-Vietnamese relations. The two sides agreed to cooperate in various forms and at various levels and to encourage business circles from the two countries to increase exchanges. Premier Li Peng's visit to Vietnam has injected fresh vitality into the continued advancement of Sino-Vietnamese relations and will certainly enhance the momentum in developing bilateral relations.

Territorial disputes remain a problem in Sino-Vietnamese relations. The two nations' leaders had an in-depth exchange of views on this issue in a friendly, frank [you ho tan cheng 0645 1170 0982 6134] atmosphere, enhanced mutual understanding, and created conditions for settling this issue in the future. The two sides affirmed that they would settle the territorial dispute through negotiations, rather than resort to force or the threat of force. They agreed that the negotiating process should be accelerated, and, along with the continuation of expert-level negotiations, government-level negotiations would be begun at an early date. Pending a negotiated settlement of the dispute, both sides should exercise restraint and not make any move that would complicate the dispute. They also agreed that it would take time and patience to reach a settlement in view of the difficulties and complexities involved in the territorial disputes. The two nations' leaders emphasized repeatedly that Sino-Vietnamese friendship and cooperation are big trends, and primarily, their common points are bigger than their differences, and their differences should not affect the normal development of relations in other areas between the two countries. As a result of direct dialogue

between the leaders, the two nations have reduced and narrowed their differences rather than expanding them. Sino-Vietnamese relations have advanced instead of falling back. This is something about which the peoples of the two nations are pleased.

Premier Li Peng's visit took place against the background of an international situation that has undergone profound changes. The two sides had an extensive exchange of views on the international situation and reached a consensus on a number of important issues. The present-day world is rather unstable, but the Asian-Pacific region has been relatively stable, and its economy has been developing steadily. The area has emerged around the world as a region with the greatest vitality and dynamism. It is in the common interests of all Asian-Pacific nations to continue advancing the regional situation toward stability and prosperity. During the visit, Premier Li Peng emphasized that China will pursue its independent foreign policy of peace and is ready to develop relations with all countries in the world, and, in particular, friendship and good-neighborly relations with surrounding countries, based on the Five Principles of Peaceful Coexistence. He solemnly rejected the allegation that China will "fill a vacuum" in the Asian-Pacific region. He reiterated that China is opposed to hegemonism and power politics, and it does not seek hegemony for itself; it will never seek hegemony even when it becomes developed in the future. This stand of the Chinese Government is highly thought of and appreciated by other nations in the region. International public opinion has commented that Premier Li Peng's visit "brought a sense of confidence" to surrounding countries in Asia and that "China is a stable partner." China and Vietnam have indicated that they would continue contributing to regional peace, stability, and cooperation.

A sustained, steady development of Sino-Vietnamese relations tallies with the fundamental interests of the two peoples. We are convinced that, with the common efforts of the two sides, Sino-Vietnamese friendship and cooperation will certainly advance constantly and yield huge results.

### Near East & South Asia

#### Report on Missile Sales to Pakistan Rebuted

OW0712100192 Beijing XINHUA in English  
0947 GMT 7 Dec 92

[Text] Beijing, December 7 (XINHUA)—A Chinese Foreign Ministry spokesman said here today that the report of China having recently sold M-11 guided missiles to Pakistan is "groundless."

The spokesman said this when asked by reporters to confirm the report.

#### Power Plant Agreement Signed With Pakistan

OW0712142192 Beijing XINHUA in English  
1344 GMT 7 Dec 92

[Text] Beijing, December 7 (XINHUA)—An agreement for China to supply Pakistan with a 320-megawatt thermal power plant was signed here today.

Hong Fuyou, president of the China National Machinery and Equipment Import and Export Corporation (CMEC), and Mumtaz Hameed, chairman of Pakistan's Water and Power Development Authority, signed the document on behalf of their respective governments.

In an interview with XINHUA, Hameed said that the project is the largest China has ever exported to Pakistan and it is also the first time China has exported so advanced a thermal power unit to any country.

He said he believed that the project is very important to the Pakistani energy industry and will play a significant role in alleviating power shortages in his country.

China had exported six 210-megawatt thermal power units to Pakistan in the past.

#### Pakistan President Receives PRC Delegation

OW0712123292 Beijing XINHUA in English  
1136 GMT 7 Dec 92

[Text] Islamabad, December 7 (XINHUA)—Pakistan President Ghulam Ishaq Khan said here today that under the changing world situation which opened a new vista for Sino-Pakistan cooperation, the strengthening of Sino-Pakistan friendly cooperation would play an active role in maintaining regional and world peace.

Meeting a four-member delegation of the Chinese People's Institute for Foreign Affairs (CPIFA) at the presidential palace here, the president said Pakistan attaches great importance to developing "cordial and friendly" relations with China and considers it as a cornerstone of the country's foreign policy.

He said that though there had been changes in international geo-politics and changes of governments of the two countries, the Sino-Pakistan friendship remained unchanged, hoping such a friendship would be further developed and strengthened.

The president noted that both China and Pakistan strictly adhere to the principles of non-interference in each other's internal affairs and of peaceful coexistence in developing their bilateral relationship.

On the world situation, the president maintained that the new world order should be fair and based on the principles of the UN Charter, in which the interests of weak and small nations should be protected.

He hoped China to play a greater role in the United Nations.

The Chinese delegation led by CPIFA Vice President Hui Zhen arrived here on December 4 for a four-day visit to Pakistan at the invitation of the Islamabad Council of World Affairs headed by former Foreign Minister Agha Shahi.

The delegation will leave here tomorrow for India for a visit.

## Political & Social

### Ding Guangen Replaces Wang Renzhi in Propaganda Department

OW0712024592 Beijing XINHUA Domestic Service in Chinese 0215 GMT 7 Dec 92

[Text] Beijing, 7 Dec (XINHUA)—The CPC Central Committee recently decided to appoint Comrade Ding Guangen, member of the Political Bureau and Secretariat of the CPC Central Committee, to concurrently serve as the director of the Propaganda Department of the CPC Central Committee; he will no longer serve as the concurrent director of the United Front Work Department of the CPC Central Committee. Comrade Wang Renzhi, who will no longer head the Propaganda Department of the CPC Central Committee, has been appointed as secretary of the party committee of the Chinese Academy of Social Sciences [CASS]. Comrade Yu Wen will no longer serve as secretary of the CASS party committee.

### Guo Chaoren Succeeds Mu Qing as XINHUA Head

OW0412145292 Tokyo KYODO in English 1356 GMT 4 Dec 92

[Text] Beijing, Dec. 4 KYODO—Guo Chaoren, deputy director general of XINHUA NEWS AGENCY, has succeeded Mu Qing as the official news agency's director general, Chinese sources said Friday.

Mu's retirement came shortly after several conservative party ideologues, including Gao Di, director of the PEOPLE'S DAILY [RENMIN RIBAO], lost their jobs in the aftermath of the 14th Communist Party Congress in October.

But China watchers said that since Mu is considered a moderate, his retirement was more likely due to his advanced age.

Born in 1921, Mu joined the Chinese Communist Party in 1939 and began work as a reporter with the LIBERATION DAILY in Yanan in 1942.

He assumed the post of XINHUA director general in 1982.

Guo, who was born in 1934, joined XINHUA immediately after graduating from Beijing University in 1956. He became deputy director general in 1984.

He has been a party Central Committee member since the 13th party congress.

### Departments Reportedly To Drop Leftism Criticism

HK0712014092 Hong Kong THE STANDARD in English 7 Dec 92 p 10

[Report by S.L. Law]

[Text] Neither leftism nor rightism would become targets of criticism, the Chinese Communist Party's central propaganda and ideology departments have decided, according to sources. They said the departments had also decided to give three leftist leaders, Wang Renzhi, He Jingzhi and Gao Di, a glorious send off from their positions. The decisions were taken at a meeting of both departments last month.

Mr Wang, Mr He and Mr Gao would be given new posts to avoid the impression that they had been sacked for their leftism. "For the same reason, the three leaders' departures from their original posts would only be announced one after another at certain intervals by the Xinhua News Agency," the source said.

Mr Wang was made party-secretary and vice-president of the Chinese Academy of Social Sciences, the government's think-tank, soon after he had officially left his post as head of the party's Propaganda Department last month. "While Mr Wang's new appointment is about to be announced by Xinhua, Mr He also got a new job as party secretary of the China Federation of Literary and Art Circles," the source said.

"But this will only be announced after Mr He has officially left his current position as Acting Cultural Minister and after his successor Liu Zhongde has assumed office."

The new posting for Mr Gao still had not been decided, but he might be given a senior position in the All China Journalists' Association. Another source said the unexpected personnel changes had given conservative leaders good reason to celebrate. "In a party held earlier to celebrate the publication of a book to elaborate the spirit of the 14th party congress, prominent conservatives including Mr Gao, Mr Wang and Deng Liqun toasted their success in barring liberal Zheng Bijian from being promoted to Propaganda Department head."

"They also celebrated the removal of the Yang brothers from the military, the failure of Vice-Premier Tian Jiyun to enter the Politburo Standing Committee and the stripping of Li Ruihuan's power over ideology work."

### CPC Cancels Planned Cultural Work Commission

HK0712022092 Hong Kong MING PAO in Chinese 5 Dec 92 p 7

[Text] "Dispatch" by special correspondent Chung Chih-ming (6945 1807 2494): "CPC Gives Up Plan for Setting Up Cultural Work Commission"]

[Text] According to sources in Beijing, it was recently decided that the Central Cultural Work Commission, which had been planned for quite some time, would no longer be established. Liu Zhongde will still be appointed minister of culture, and Zhang Haoruo, former Sichuan provincial governor, will take over the office of minister of light industry. Shao Huaze, the new director of RENMIN RIBAO, has said that Gao Di, a leading leftist,

"acted in light of the party's principles and policies" and "made achievements" in the past three years when leading the party organ.

As for the central authorities' decision against establishing the Central Cultural Work Commission, the sources in Beijing have said that Beijing originally planned to set up a cultural work commission along the lines of the State Economic and Trade Commission's model so that the Economic and Trade Commission would be responsible for the construction of "material civilization" and the Cultural Work Commission would be responsible for the construction of "spiritual civilization." Not long ago, however, the CPC Political Bureau reconsidered this plan and decided to give prominence to Deng Xiaoping's idea of "taking economic construction as the central task," and implement Deng's instruction to avoid excessively stressing ideology which may easily arouse controversy, so the plan for setting up the Cultural Work Commission was scrapped.

The sources said that, to replace the plan for setting up the Cultural Work Commission, it was decided that Ding Guangen will concurrently take the position of director of the Central Propaganda Department and will replace Li Ruihuan, who has good personal relations with Yang Baibing, as leader in charge of ideology. Li Ruihuan will be transferred to take charge of the united front work and the National Committee of the Chinese People's Political Consultative Conference.

The sources also mentioned that Yang Baibing, who was originally assigned to the Cultural Work Commission to assist Ding Guangen, "received no new assignment and had nothing to do for the time being." He will still have to wait for the next arrangements made by the Political Bureau.

The sources revealed that the Ministry of Culture is now under the leadership of Vice Minister Liu Zhongde, who has been appointed internally to be minister of culture. Liu Zhongde's appointment in the government will be officially made next spring when the National People's Congress [NPC] is in session. On the other hand, Zeng Xianlin, current minister of light industry, has been sent to "study" in the Central Party School. According to usual practice, he will be relieved from his current position and will not return to the Ministry of Light Industry. His successor will be Zhang Haoruo, former provincial governor of Sichuan, who was recently appointed first vice minister of light industry. Zhang's ministerial appointment will also be officially made by next year's NPC session.

Shao Huaze, the new director of RENMIN RIBAO who continues to be the newspaper's editor in chief, said at a recent meeting of the newspaper office that, in his three years' tenure, former RENMIN RIBAO director Gao Di "acted in light of the party's principles and policies," and RENMIN RIBAO's work in the past years "did achieve positive results."

The sources quoted RENMIN RIBAO cadres as saying: "It seems that being 'leftist' is still better than being 'rightist.' If Gao Di was a rightist, he might have been mercilessly criticized and disgraced, but, as he is a 'leftist,' he is not regarded as having made mistakes after leaving office!"

### Leader of Urumqi's 1989 Protests Arrested

HK0412111292 Hong Kong AFP in English 1057 GMT  
4 Dec 92

[Text] Beijing, Dec 4 (AFP)—Chinese authorities have arrested a man accused of leading the 1989 pro-democracy movement in Urumqi, the capital of far northwestern Xinjiang province, reports received here Friday said. Ma Zhongping was arrested on October 9, the Xinjiang Daily said, adding he had been questioned in the southwestern province of Yunnan.

The resident of western Gansu province went to Urumqi in May 1989, when the pro-democracy movement was in full swing in Beijing and similar protests were breaking out in several cities across the country.

The paper said Ma was regarded as the "main criminal" in the "May 19 incident" in Urumqi. By distributing leaflets, sticking up posters and inciting the population to rebel, Ma was at the centre of the violent demonstrations on May 19, 1989, the report said. He went into the party and government premises of the Xinjiang autonomous region, where he hit officials and vandalised and set fire to the offices before fleeing, it said.

Several thousand people have been arrested in China since the violent suppression of the democracy protests in Beijing on June 4, 1989.

### Hong Kong Paper Withdraws Report on Air Crash

OW0412143492 Beijing XINHUA in English  
1414 GMT 4 Dec 92

[Text] Beijing, December 4 (XINHUA)—A Hong Kong newspaper said in a statement reaching here today that it has rescinded a report on the November 24 air crash in southern China.

The statement carried in the December 3 issue of the "WAH KIU YAT PO" [OVERSEAS CHINESE DAILY] said that it apologizes for the erroneous report on the air accident near Guilin in the Guangxi Zhuang Autonomous Region and hereafter withdraws the report. The statement said that the report was submitted by a free-lancer and lacked factual support.

A November 29 report in the paper quoted a "senior official of the China Civil Aviation Administration (CAAC)" as saying that the air crash happened because of "a fight against an attempted hijacking." It also claimed that CAAC was "trying to conceal data from the black box of the jet."

In a XINHUA release Wednesday [2 December] a CAAC spokesman pointed out that the paper's so-called exclusive report was nothing but rumors.

### CHINA DAILY Commentary on Constitution Anniversary

HK0412035592 Beijing CHINA DAILY in English  
4 Dec 92 p 4

[CHINA DAILY commentary: "Legal Construction"]

[Text] Today marks the 10th anniversary of China's present Constitution, set-up in 1982 to reflect the new consensus on the nation's goals set by the 11th Central Committee of the Communist Party of China (CPC) at its Third Plenary Session toward the end of 1978.

In many major respects, it was patterned after the People's Republic's first Constitution adopted in 1954. That was the first ever socialist Constitution in the 5,000 years of Chinese history.

But since the building of a socialist society in China was a brand new endeavour and involved much experimentation, that Constitution was scrapped during the "Cultural Revolution" (1966-76) and a second Constitution embodying the erroneous idea that the continuing class struggle should be the over-riding concern of State was railroaded through the National People's Congress in 1975.

The Constitution adopted in 1978 was not a major departure from the second Constitution because the lessons of that chaotic decade had not yet been fully analyzed.

The history of that constitutional development taught the Chinese people that a Constitution, as the country's basic law, was not something that should be tampered with lightly. A Constitution was the foundation of the country's legal system and, together with the "rule of law," would ensure the orderly achievement of the goal of the Chinese nation, namely to build a socialist society with Chinese characteristics.

After long years of careful deliberation and democratic discussions the Fifth National People's Congress adopted the present and fourth Constitution of the PRC at its Fifth Session in 1982.

This Constitution holds that concentrating all efforts on socialist modernization is the fundamental task of the State. It upholds the four cardinal principles of the people's democratic dictatorship; Marxism, Leninism and Mao Zedong Thought; the leadership of the Communist Party; and the socialist road. It also dictates that reform and the opening-up policy are the only way to turn China into a strong nation.

The Constitution systematically defines the country's social and political systems and the State and government structures and their relationships. It also makes

comprehensive regulations on the Chinese people's freedoms, rights, and obligations.

Practice has proved that the principles and regulations embodied therein conform to the country's circumstances. It has provided a powerful legal guarantee for the country's political, economic, and social progress during the past decade.

As the reforms progressed, it has become more and more evident that the goal of the reform should be the establishment of a socialist market economy—a concept that was not listed in the Constitution. Amendments to the Constitution, therefore, have become imperative to codify that goal and other latest developments in various areas.

It cannot be denied that one of the most significant achievements of the People's Republic under this Constitution is the progress in building up a comprehensive legal system and the growing awareness of the rule of law among its people. Of course, implementation of the law and its supervision are never simple and straightforward in any country.

The establishment of the authority of the Constitution is of great importance. At stake are the stability of the country and the fundamental interests of its people. A constant fight must be waged to maintain the credibility and dominance of the Constitution and other laws.

The Constitution stipulates that "All State organs, the armed forces, all political parties and public organizations, and all enterprises and undertakings must abide by the Constitution and the law. All acts in violation of the Constitution and the law must be looked into and no organizations or individuals may enjoy the privilege of being above the Constitution and the law."

It is strongly desired that leading officials of the Communist Party and government departments take the lead in honouring and defending the Constitution, while calling on the people to follow suit.

With this done, the long-cherished goal of building China into a socialist legal society, in which the people enjoy freedoms and democracy and the nation enjoys stability and prosperity, will be achieved in due time.

### Maritime Law Adopted by NPC Standing Committee

OW1511133292 Beijing XINHUA Domestic Service in Chinese 1129 GMT 8 Nov 92

[Maritime Law of the People's Republic of China adopted at the 28th Meeting of the Standing Committee of the Seventh National People's Congress on 7 November 1992]

[Text] Beijing, 8 Nov (XINHUA)—Table of Contents

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**Article 1.** The Law is formulated with the purpose of adjusting the relations of maritime transportation and among vessels, safeguarding the legitimate rights and

interests of all parties concerned, and promoting maritime transportation and the development of the economy and trade.

**Article 2.** Maritime transportation as stated in this Law refers to sea cargo and passenger transportation, including direct transportation between the sea and rivers and between rivers and the sea.

The provisions under Chapter IV, Ocean Freight Transport Contract, of this Law shall not apply to maritime cargo transport among the ports of the People's Republic of China.

**Article 3.** The vessels as stated in this Law refer to ocean-going ships and other ocean-going moving facilities, except for military vessels, vessels used for carrying out the government's public functions, and small ships weighing less than 20 metric tons.

**Article 4.** Maritime transport and haulage among the ports of the People's Republic of China shall be operated by vessels flying the flag of the People's Republic of China. However, there are to be exceptions as provided for by laws and administrative decrees.

Without the approval of the relevant transport departments under the State Council, foreign vessels are not permitted to operate maritime transport and haulage within the ports of the People's Republic of China.

**Article 5.** Vessels that have obtained PRC nationality by registering according to law shall have the right to sail under the flag of the People's Republic of China.

Vessels that illegally sail under the flag of the People's Republic of China shall be stopped and forced to pay a fine by the department concerned.

**Article 6.** The State Council's departments in charge of transport shall exercise unified management over maritime transport. The departments concerned shall formulate specific measures for unified management and report them to the State Council for approval.

**Chapter II. Shipping****Section I. Shipping Ownership**

**Article 7.** Shipping ownership means the rights enjoyed by a ship owner to possess, use, earn profits from, and dispose of a ship according to law.

**Article 8.** If a state-owned ship's management and operation is entrusted to a state-owned enterprise that has the status of a legal person, then all provisions of this law concerning ship owners are applicable to that legal person.

**Article 9.** The acquisition, transfer, or termination of a ship's ownership should be registered with the shipping registration organ. Without such registration, the owner has no right to contest a third-party claim.

For the transfer of shipping ownership, a written contract must be signed.

Article 10. If a ship is owned by two or more legal persons or natural persons, the ownership should be registered with the shipping registration organ. Without the registration, the owners have no right to contest a third-party claim.

## Section II. Shipping Mortgage

Article 11. Shipping mortgage means the right of a mortgagee to auction a ship, which is mortgaged for security on a debt by a mortgagor, and to recover the debt from the auction income with preference if the mortgagor fails to fulfill his debtor's obligations.

Article 12. A mortgage may be made by a ship's owner or a person authorized by a ship's owner.

For a shipping mortgage, a written contract should be signed.

Article 13. A shipping mortgage should be registered by the mortgagee and the mortgagor together with the shipping registration organ. Without the registration, a third-party claim may not be contested.

A shipping mortgage registration should include the following major items:

(1) names and addresses of the mortgagee and the mortgagor;

(2) name and nationality of the mortgaged ship, and the issuing organ and number of the ownership certificate; and

(3) the amount of debt mortgaged, interest, and date of payment.

Shipping mortgage registration is open for public inquiry.

Article 14. A ship under construction may be mortgaged.

For registration of a mortgage involving a ship under construction, the ship-building contract should be shown to the shipping registration organ.

Article 15. The mortgagor should insure the mortgaged ship, unless the contract prescribes otherwise. If the mortgaged ship is not insured, the mortgagee has the right to insure the ship and the insurance premium shall be borne by the mortgagor.

Article 16. If a ship is owned by more than one owner, its mortgage should be with the consent of more than two-thirds of its owners, unless there are other agreements among the owners.

The shipping mortgage made by the co-owners shall not be affected by division of the co-ownership.

Article 17. After a ship is mortgaged, the mortgagor shall not transfer the mortgaged ship to another person without the consent of the mortgagee.

Article 18. When the mortgagee transfers to another person all or part of the creditor's rights for which a ship is mortgaged, the shipping mortgage shall also be transferred to the other person.

Article 19. A ship may be mortgaged more than once, with the order of registration serving for the order of the mortgages.

If a ship is mortgaged more than once, the mortgagees shall recover their debts from the ship's auction income in order according to the order of the mortgage registrations. Mortgagees with the same registration date will enjoy the same precedence of debt repayment.

Article 20. A mortgage will be lost with the loss of the mortgaged ship. The mortgagee shall take precedence over others in receiving debt repayment from insurance for a lost ship.

## Section III. Preferential Right Over Shipping

Article 21. Preferential right over shipping means the preferential right of a person to obtain compensation from a ship for a maritime claim after he makes the claim to the ship owner, the bareboat charterer, or the ship's operator in accordance with Article 22 of this law.

Article 22. The following maritime claims enjoy preferential right over shipping:

(1) Claims for the payment of wages, other labor remunerations, crew members' return travel expenses, or social insurance made by the ship's captain, crew members, or other personnel within the ship's organization in accordance with labor laws, administrative regulations, or labor contracts;

(2) claims to compensation for personnel injuries or death during shipping operations;

(3) claims for payment of tonnage taxes, pilot fees, harbor service fees, or other stipulated fees;

(4) claims for payment of salvage charges; and

(5) claims to compensation for property losses caused by the violation of rights during shipping operations.

Item (5) of the preceding paragraph is not applicable to claims to compensation for oil pollution damage caused by a ship carrying more than 2,000 tonnes of bulk oil which has valid proof of civil responsibility insurance for oil pollution damages or has adequate financial guarantees.

Article 23. Payments for claims in Item (1) of Article 22 shall be made in the order of the various claims listed therein. However, payments for claims in Item (4) shall have precedence over those in Items (1) through (3), even if the events in Item (4) take place later.

If any claim in Items (1), (2), (3) and (5) of Article 22 is made by two or more claimants, all the claimants shall be paid simultaneously regardless of the order of their claims. If funds are insufficient, the claimants shall be paid in a proportionate manner. If two or more claims in Item (4) are made, the latest salvage charges shall be paid first.

**Article 24.** Income from the auction of a ship shall be used first in paying litigation expenses, expenses for the upkeep and auction of the ship, expenses for the distribution of auction income, and other expenses for common interests of the claimants in the course of exercising the preferential right over shipping.

**Article 25.** Preferential right over shipping has priority over liens on ships in receiving compensation; liens on ships have priority over shipping mortgages in receiving compensation.

The liens on ships mentioned above refers to the right of ship builders or repairers to detain ships while the other party of a contract fulfills contractual requirements, in order to ensure that ship building or repairing expenses are paid. Liens on ships end when ship builders or repairers cease to withhold ships.

**Article 26.** Preferential right over shipping does not perish because of the transfer of shipping ownership, with the following exception: When preferential right over shipping is not exercised within 60 days after a court announcement is made at the request of the transferee.

**Article 27.** When the right to maritime claims stipulated in Article 22 of this law is transferred, preferential right over shipping is automatically transferred.

**Article 28.** Preferential right over shipping should be exercised through ships whose preferential rights arise from court seizure.

**Article 29.** Preferential rights over shipping, with the exception of those stipulated in Article 26 of this law, perish with one of the following causes:

(1) Maritime claims with preferential right over shipping are not exercised within 1 year after preferential rights come into being;

(2) ships are sold under court order;

(3) loss of ships.

The one-year period specified in (1) is not to be terminated or interrupted.

**Article 30.** Provisions in this section do not affect the implementation of the provisions of Chapter XI on the limits of liability for compensation for accidents at sea.

### Chapter III. Ship Crew

#### Section I. General Provisions

**Article 31.** Ship crew refers to all personnel, including the ship's captain, working on a ship.

**Article 32.** The posts of ship captain, steersman, chief engineer, engineer, electrician, and radio operator, must be filled by those who have an appropriate license.

**Article 33.** Chinese nationals who are crew members of ships operating on international routes must have a sailor's certificate issued by a port affairs supervisory organ of the PRC, as well as any other relevant certificates.

**Article 34.** Matters concerning crew hiring and the rights and obligations of crews that are not specified in this law shall be governed by relevant laws and administrative orders and regulations.

#### Section II. Ship Captain

**Article 35.** The ship captain is responsible for the management and navigation of the ship.

Crew members and passengers on a ship, and other people on the ship, must execute the orders given by the ship captain within his or her authority.

The ship captain should take necessary measures to protect his ship and the people, documents, mail, cargoes, and other properties on the ship.

**Article 36.** To ensure the safety of the ship and the people on it, the ship captain has the right to place in confinement those who conduct illegal or criminal activities on the ship, to take other necessary actions against them, and to prevent them from hiding, destroying, or counterfeiting evidence.

The ship captain should prepare a report upon taking the aforementioned measures, and the report should be signed by the ship captain and two or more other persons on the ship. This report, together with the offenders, should be turned over to the concerned authorities.

**Article 37.** The ship captain should enter into the log-book births and deaths occurring on the ship and, in the attendance of two witnesses, prepare a certificate in each case. A death certificate should be attached with a list of articles left by the deceased. The ship captain should provide proof of wills left by the deceased. Death certificates and wills are to be kept by the ship captain and handed over to the family of the deceased or the concerned authorities.

**Article 38.** When a ship is involved in an accident at sea that endangers the safety of the people and property on board, the captain should organize crew members and other people on the ship to strive to rescue the ship and the people and property on the ship. If the ship's sinking or destruction is unavoidable, the captain may decide to

abandon ship. However, unless it is an emergency, the captain should ask for the ship owner's agreement before taking such action.

When abandoning the ship, the captain must take all necessary actions to ensure that passengers can first leave the ship safely and that the crew members then follow. The captain should be the last person to leave the ship. Before leaving the ship, the captain should direct crew members to make every effort to save the logbook, the cabin logbook, the oil records for the ship, the radio station logbook, the navigational chart and other documents used for the voyage, valuable articles and mails, and cash.

**Article 39.** The ship captain is not relieved of his responsibility for managing and piloting the ship when the ship is being navigated by a pilot.

**Article 40.** When a ship captain dies or is unable to carry out his responsibilities during a voyage, the steersman in the highest position should act as ship captain. Before leaving the next port, the owner of the ship should appoint a new captain.

#### Chapter IV. Ocean Freight Transport Contracts

##### Section I. General Provisions

**Article 41.** Ocean freight transport contracts refer to contracts that obligate consignees, through the charging of a certain amount of freight, to ship the cargoes consigned to them by consignors from one port to another via sea.

**Article 42.** The meanings of the terms used in this chapter are as follows:

(1) A "carrier" refers to the carrier himself or the person who signs a maritime freight transport contract with a consignor on behalf of a carrier.

(2) An "actual carrier" refers to the person who has been entrusted by a carrier to engage in cargo transport or partial cargo transport, including other persons who have been entrusted to engage in transport business.

(3) A consignor refers to:

1. The consignor himself or a person who entrusts another person to conclude a maritime freight transport contract with a carrier on behalf of a consignor;

2. The consignor himself or a person who entrusts other persons to deliver goods, on behalf of the consignor, to a carrier who is a party to a maritime freight transport contract.

(4) A "consignee" refers to a person who is authorized to collect goods.

(5) "Goods" includes movable articles or containers, loading pallets, or other similar loading and transporting equipment provided by a consignor.

**Article 43.** A carrier or a consignor may demand a written confirmation of the establishment of a maritime freight transport contract. However, written contracts must be concluded if they are contracts on vessel chartering and the number of voyages. Telegrams, teletypes, and facsimiles are considered to have the effect of a written confirmation.

**Article 44.** Provisions contained in a maritime freight transport contract or in the bill of lading, which serves as a verification of the contract, or in other transport documents shall be regarded as invalid if they violate the provisions of this chapter. Their invalidity shall not affect the validity of other provisions contained in the contract and the bill of lading, or in other transport documents. Provisions or similar provisions attempting to transfer benefits from insured goods to a carrier shall be regarded as invalid.

**Article 45.** The provisions of Article 44 of this Law shall not prevent a carrier from increasing his responsibilities and obligations other than those provided for a carrier in this chapter.

##### Section II. Carrier's Responsibility

**Article 46.** The carrier's period of responsibility for containerized goods means the entire period from the time goods are received at the port of loading until goods are delivered at the port of discharge, when the goods are under the control of the carrier. The carrier's period of responsibility for non-containerized goods means the entire period from the time goods are loaded on the vessel until the time goods are unloaded from the vessel when the goods are under the control of the carrier. Unless otherwise specified in this section, the carrier should be responsible for compensation for lost or damaged goods which occurred during the period of responsibility.

The stipulation in the above section does not prevent the carrier from reaching any agreement on responsibility before loading and after unloading of non-containerized goods.

**Article 47.** The carrier should take meticulous measures before and during the voyage to ensure that the vessel is in a sea-worthy condition, appropriately manned with crew members, properly equipped, and furnished with supplies; and to ensure that the cargo hold, refrigerated hold, air conditioned hold, and other cargo areas are suitable and capable of safely receiving, transporting, and storing goods.

**Article 48.** The carrier should properly and carefully load, move, stack, transport, store, mind, and unload goods carried.

**Article 49.** The carrier should ship cargo to the port of discharge according to the agreed, regular, or geographic route.

Detours or other reasonable detours of the vessel arising from rescue of or attempt to rescue human lives or property at sea does not constitute conduct in violation of the above stipulation.

Article 50. Goods not delivered at the specified port within the specified date shall be deemed as delayed shipment.

With the exception of situations stipulated in this chapter under which the carrier is not responsible for compensation, the carrier should be responsible for compensation for lost or damaged goods as a result of delay in delivery caused by the carrier's negligence.

With the exception of situations stipulated in this chapter under which the carrier is not responsible for compensation, even when the goods are not lost or damaged, the carrier is still responsible for compensation for economic losses incurred as a result of delay in delivery caused by the carrier's negligence.

Persons entitled to file compensation claims for lost goods may treat the goods as lost if the carrier is unable to deliver the goods within 60 days after the date specified in Section One of this article.

Article 51. The carrier is not responsible for compensation for lost or damaged goods caused by any one of the following during the period of responsibility:

- (1) Negligence of the captain, crew members, pilot, or carrier's other employees in navigating the vessel or in managing the vessel;
- (2) fire, with the exception of fire caused by negligence of the carrier;
- (3) natural disasters, or danger or accidents at sea or in other navigable waters;
- (4) wars or armed conflicts;
- (5) conduct, quarantine restrictions of governments or other competent departments, or judicial detention;
- (6) strikes, work stoppages, or restriction on labor;
- (7) rescue of or attempt to rescue human lives or property at sea;
- (8) conduct of shippers, owners of goods, or their representatives;
- (9) natural characteristics or inherent faults of the goods;
- (10) improper packaging, inadequate or unclear marking of goods;
- (11) latent faults of the vessel not found after meticulous inspection;
- (12) other reasons not caused by negligence of the carrier, employees of the carrier or representatives of the carrier.

With the exception of the reason specified in item (2), the carrier exempted from responsibility for compensation in accordance with stipulations of the above section should be responsible for presenting the evidence.

Article 52. The carrier shall not compensate for the loss or injury of live animals provided the loss or injury is caused by the special, innate risk of live animal transport. However, the carrier should prove that it has already met the special demands made by the shipper regarding the transport of live animals, and proves that the loss or injury is caused by the special, innate risks in light of the actual situation.

Article 53. If the cargo is to be carried on the deck, the carrier should reach a prior agreement with the shipper, or ensure that the practice conforms to general shipping practice or relevant laws or administrative regulations.

If the cargo is carried on deck according to the provisions of the preceding paragraph, the carrier shall not compensate for any loss or damage of the cargo caused by the special risks of such practice.

If the cargo is carried on deck in violation of the provisions in the first paragraph of this article, the carrier shall compensate for any loss or damage of the cargo caused by the practice.

Article 54. If the loss, damage, or delayed delivery of cargo is caused partly by reasons which make the carrier or its employees or agents liable to compensation, and partly caused by other reasons, the compensation made by the carrier shall be limited within the scope of its liability. However, the carrier should also prove the other reasons which make it not liable for compensation.

Article 55. The amount of compensation for lost cargo shall be calculated according to the actual value of the cargo. The amount of compensation for damaged cargo shall be calculated according to the difference between its value before and after the damage, or according to the repair costs.

The actual value of cargo is calculated according to its value at the time of loading, plus insurance and freight.

The compensated value for loss or damaged cargo shall be the actual value of the cargo calculated according to the provisions in the preceding paragraph, minus a reduced portion of relevant fees entitled by the loss or damage.

Article 56. The ceiling of the carrier's compensation for loss or damaged cargo shall be calculated according to the number of pieces of cargo or other freight units, with each piece or other freight unit equal to 666.67 calculating units, or calculated according to the gross weight of the cargo, with each kilogram equal to 2 calculating units, and the ceiling shall be the greater amount of the two. However, the ceiling of compensation may be higher if the shipper already stated the characteristics and value of the cargo prior to loading, and the stated

characteristics and value are included in the bill of loading, or if the carrier and the shipper have agreed upon the ceiling.

The number of pieces of cargo or other freight units of cargo stored in a cargo container, cargo rack, or similar holder shall be the number stated in the bill of loading. If the number is not stated in the bill of loading, each holder is counted as 1 piece or 1 unit.

If the cargo holder is not owned or provided by the carrier, the holder itself is counted as 1 piece or 1 unit.

**Article 57.** The ceiling of the carrier's compensation for the shipper's economic loss caused by delayed delivery of cargo is the freight charges of the late delivered cargo. If loss or damage and delayed delivery of cargo happen simultaneously, the provisions in first paragraph of Article 56 shall apply to the ceiling of the carrier's compensation liability.

**Article 58.** Provisions concerning the reason for contest and limitation of liability in this chapter shall apply to all litigation brought against the carrier as a result of the loss, damage, and delayed delivery of cargo covered in the ocean cargo transport contract; regardless of whether the claimant is a party to the contract or not, or whether the litigation is brought on the basis of the contract or on the basis of the infringement of rights.

Provisions in the preceding paragraph shall apply to litigation brought against the employee or agent of the carrier, provided that the employee or agent testifies that the action is within the scope of employment or entrustment.

**Article 59.** When it is proved that the loss, damage, or delayed delivery is intentional, or it is caused by reckless action, on the part of the carrier with the knowledge that the action might cause loss, the carrier shall not invoke the provisions of Article 56 or Article 57 of this law concerning limitation of liability.

When it is proved that the loss, damage, or delayed delivery is intentional, or is the result of reckless action, on the part of the employee or agent of the carrier with the knowledge that the action might cause loss, the employee or agent of the carrier shall not invoke the provisions of Article 56 or Article 57 of this law concerning limitation of liability.

**Article 60.** Where the carrier consigns the shipment of cargo in its entirety or in part to a consignee, the carrier shall take full responsibility for the shipment, in accordance with the provisions of this chapter. The carrier shall be liable for the action of the consignee to whom the shipment is consigned or for the action of the employee or agent of the consignee.

The provisions of the preceding paragraph notwithstanding, where ocean transport contract clearly specifies that the shipment of a part of the cargo shall be undertaken by a designated consignee other than the carrier, the contract may provide that the carrier shall

not be liable for the loss, damage, or delayed delivery of the cargo that occurs during the period when the cargo is in the custody of the consignee.

**Article 61.** Provisions on the liability of the carrier of this chapter shall apply to the consignee. Provisions in the second paragraph of Article 58 and in the second paragraph of Article 59 shall apply to litigation brought against the employee or agent of the consignee.

**Article 62.** When agreed upon in writing by the consignee, special agreements under which the carrier undertakes obligations not specified in this chapter or forsakes rights granted in this chapter shall have validity over the consignee. This special agreement shall not affect the validity over the carrier, regardless of whether it is agreed upon by the consignee or not.

**Article 63.** Where the carrier and the consignee both are liable for compensation, they shall assume joint liability within the scope of the liability.

**Article 64.** The total amount of compensation for loss or damage of cargo claimed to the carrier, the actual carrier, or their employees or agents should not exceed the compensation ceiling stipulated in Article 56 of this law.

**Article 65.** The provisions in Articles 60 through 64 of this law do not affect any claims between the carrier and the actual carrier.

### Section III. Shipper's Responsibility

**Article 66.** The shipper should properly pack his cargo and guarantee to the carrier the correctness of information concerning the name, trademark, number of packages or pieces, and weight or volume of the shipped cargo at the time of loading. The shipper should compensate the carrier for any economic loss caused to the latter by poor packing or incorrect information.

The right to compensation enjoyed by the carrier according to the provisions in the preceding paragraph does not affect his liability to persons other than the shipper according to the shipping contract.

**Article 67.** The shipper should complete all necessary formalities for the shipping of the cargo with the harbor authorities, the customs office, the quarantine office, the inspection office and other departments in charge in a timely manner, and make the proofs of completion of those formalities available to the carrier. The shipper should compensate the carrier for any economic loss caused to the latter by non-availability of the proofs, or by incomplete or incorrect proofs.

**Article 68.** If the shipped cargo is hazardous, the shipper should properly pack and mark the cargo according to provisions concerning the shipping of hazardous cargo, and inform the carrier in writing of the formal name of the cargo, its characteristics, and the necessary safety precautions. If the shipper fails to inform or wrongly informs the carrier of the above information, the carrier may unload or destroy the cargo, or render it harmless, at

any time and place, without liability for compensation. The shipper should compensate the carrier for any loss caused to the latter by transporting the cargo.

Even if the carrier knows the hazardous characteristics of the cargo and agrees to ship it, he may still unload or destroy the cargo or render it harmless, without liability for compensation, when the cargo poses actual danger to the ship, the crew, or other cargo on board. However, the provisions in this paragraph do not affect the sharing of the general average.

**Article 69.** The shipper should pay freight charges to the carrier according to contract.

The shipper and the carrier may agree to let recipient of the cargo pay freight charges, and this agreement should be stated in the shipping documents.

**Article 70.** The shipper is not liable for compensation for loss to the carrier or the actual carrier, nor is he liable for compensation for damages to the ship; unless the loss or damage is due to the fault of the shipper or his employees or agents.

The shipper's employees or agents are not liable for compensation for loss to the carrier or the actual carrier, nor are they liable for compensation for damages to the ship, unless the loss or damage is due to the fault of the shipper's employees or agents.

#### Section IV. Shipping Documents

**Article 71.** A bill of lading is a document proving a sea cargo shipment contract—that goods have been received by the carrier or loaded on board—as well as the carrier's guarantee for delivery of goods. Specifications on the delivery of goods to the consignee, or delivery of goods in accordance with the instructions of the consignor, or delivery of goods to bearer of the bill of lading stated on the bill of lading forms the guarantee of the carrier's delivery of goods.

**Article 72.** After goods have been received or loaded on board by the carrier, the carrier should issue a signed bill of lading at the request of the shipper.

The bill of lading may be signed and issued by persons authorized by the carrier. A bill of lading signed and issued by the captain of the cargo vessel shall be deemed as signed and issued by the carrier.

**Article 73.** Contents of the bill of lading shall include the following items:

(1) the name, marking, number of cases or number of pieces, weight or volume of the goods, as well as an explanation of the nature of hazards when shipping hazardous goods;

(2) name and main business premise of the carrier;

(3) name of vessel;

(4) name of shipper;

(5) name of consignee;

(6) port of loading and date of goods received at the port of loading;

(7) port of discharge;

(8) bill of lading for multimodal through transport should also list places for receiving and delivery of goods;

(9) date, place, and number of copies of bill of lading issued;

(10) payment of shipping cost;

(11) signature of the carrier or its representative.

A bill of lading lacking one or a few items from the above stipulation shall not affect the nature of the bill; however, the bill of lading must conform to the stipulations of Article 71 of this law.

**Article 74.** When a received-for-shipment bill of lading or other document is issued by a carrier at the request of the shipper prior to loading of the goods on board the vessel, once loading is completed the shipper may return the received-for-shipment bill of lading or other document to the carrier in exchange for an on-board bill of lading; the carrier may also add the name of the vessel and date of loading on the received-for-shipment bill of lading—the received-for-shipment bill of lading with such annotation shall be deemed as an on-board bill of lading.

**Article 75.** When the carrier or persons issuing the bill of lading on its behalf know or have reasonable grounds to suspect that the name, marking, number of cases or number of pieces, weight or volume of the goods described on the bill of lading do not tally with the actual goods received; under the circumstances where discrepancies are suspected when the on-board bill of lading is issued or when there is no appropriate way to verify the description on the bill of lading, they may annotate on the bill of lading describing the discrepancies, the grounds for suspicion, or explain why verification cannot be made.

**Article 76.** When the carrier or persons issuing the bill of lading on its behalf do not denote the external appearance of the goods on the bill of lading, the external condition of the goods is assumed to be in good condition.

**Article 77.** Except for reservations made under the stipulations of this law's Article 75, the bill of lading issued by the carrier or persons on his behalf will be preliminary evidence that the goods received by the carrier or already on-board are as described on the bill of lading; any discrepancies, other than the descriptions listed on the bill of lading made by the carrier to a third party, including the consignee who has taken over the bill of lading with good intentions, will not be recognized or entertained.

Article 78. The respective rights and obligations of the carrier, the consignee, and the bearer of the bill of lading are specified in accordance with the bill of lading's stipulations.

Unless otherwise specified in the bill of lading, the consignee and the bearer of the bill of lading will not be responsible for loading and other related charges, including demurrage and dead freight charges at cargo-loading ports.

Article 79. The bill of lading may be transferred in accordance with the following stipulations:

- (1) A named bill of lading may not be transferred.
- (2) An order bill of lading may be transferred after being endorsed to a certain specified or unspecified bearer.
- (3) An unnamed bill of lading may be transferred without endorsement.

Article 80. The document—other than the bill of lading—issued by the carrier as a proof that he has received the goods for shipping may be used as preliminary evidence for forming a maritime freight transport contract and for certifying that the carrier has received the goods listed in the issued document.

This type of document issued by the carrier may not be transferred.

#### Section V. Delivery of Cargo

Article 81. Upon delivery of cargo by the carrier to the consignee, who has not informed the carrier in writing of any missing or damaged cargo, such a delivery will be termed preliminary evidence that the carrier has delivered the cargo in good condition in accordance with the stipulations in the transport document.

In circumstances in which missing or damaged cargo is not easily detectable, the previous stipulation will apply if the consignee does not notify the carrier in writing of the situation within seven consecutive days following the date of delivery, or within 15 consecutive days following the date of delivery if the cargo has been shipped in containers.

If the consignee and the carrier have jointly inspected or examined the cargo during the delivery, the consignee need not inform the carrier in writing about any missing or damaged cargo.

Article 82. If the carrier does not receive, within 60 consecutive days following the date of delivery, any written notification that the consignee suffered economic losses due to a delayed delivery of cargo, the carrier will not be held responsible for compensation.

Article 83. Prior to receiving or delivering the cargo at the port of destination, the consignee and the carrier may respectively ask an inspection organization to examine the condition of the cargo. Inspection charges should be paid by the party requesting the examination who will,

however, have the right to reclaim such charges from the party responsible for cargo damage or loss.

Article 84. On inspections listed under the stipulations of this law's Articles 81 and 83, the carrier and the consignee should mutually and respectively provide reasonable convenience to each other.

Article 85. If the cargo is delivered by an actual carrier who is given a written notification by the consignee, in accordance with the stipulations of this law's Article 81, the written notification will have the same effect as if it were given to the carrier. It will have the same effect regardless of whether the written notification is given to the carrier or the actual carrier.

Article 86. At the port of discharge, if no one receives the cargo or the consignee delays or refuses to receive the cargo, the ship captain may unload the cargo in warehouses or other appropriate places. Thereafter, any additional costs and risks will be borne by the consignee.

Article 87. The carrier may detain, to a reasonable extent, the cargo if the consignee does not pay in full, and without providing proper guarantee on the settlement of, the fees due to the carrier including transport charges, a portion of the general average, the demurrage, necessary charges previously paid by the carrier for shipping the cargo, and other expenses.

Article 88. If no one receives the cargo within 60 days following the date the ship arrived at the port of discharge, the carrier may apply to a court of law to auction off the cargo detained in accordance with the stipulations of this law's Article 87. If the cargo is perishable or its safekeeping charges likely to be higher than the value of the cargo, the carrier may apply for an auction at an earlier date.

Money obtained from the auction will be used to settle the cargo's safekeeping and auctioning charges, transport fees, and other fees due and payable to the carrier. The carrier will have the right to get settlement from the consignor for whatever shortage occurs between the sum received from the auction and all the charges. The surplus will be returned to the consignor. The surplus that cannot be returned, and in the absence of any claimant within one year following the auctioning date, will be submitted to the treasury.

#### Section VI. Termination of Contract

Article 89. A consignor may request to terminate a contract before the vessel sets sail from its loading port. However, unless otherwise provided in the contract, the consignor should pay half of the agreed freight to the carrier; if the merchandise is already loaded on board, the consignor should bear all the loading and unloading charges as well as other related expenses.

Article 90. If a contract cannot be fulfilled before the vessel sets sail from its loading port due to force majeure or other reasons for which neither the consignor nor the carrier is to blame, both parties may terminate the

contract without liability to each other. In such circumstances, unless otherwise provided in the contract, the carrier should return freight to the consignor if they have already been paid; the consignor should bear all the loading and unloading expenses if the merchandise has already been loaded on board a vessel; and, if a bill of lading has already been issued, the consignor should return it to the carrier.

Article 91. If a vessel cannot unload its merchandise at the port of destination agreed upon due to force majeure or other reasons for which neither the carrier nor the consignor is to blame, unless otherwise provided in the contract, the captain of the vessel has the authority to unload the merchandise at a safe port or location nearby—an expedient measure which will be considered as fulfillment of the contract.

When the captain decides to unload the merchandise [at such a location as mentioned above], he should notify either the consignor or the consignee in good time and take their interests into consideration.

#### **Section VII. Special Contract Provisions for Voyage Charter**

Article 92. A contract for voyage charter refers to one entered into between a lessor and a lessee for the charter of a vessel or portions of its shipping space for shipping agreed merchandise from one port to another at an agreed amount of freight to be paid by the lessee.

Article 93. The contents of a contract for voyage charter include mainly the names of the lessor and the lessee, the vessel's name, the flag under which the vessel sails, payload, cargo carrying capacity, description of merchandise, loading port and port of destination, vessel's deadline for carrying cargo, deadline of loading and unloading, freight, demurrage, despatch money, and other relevant matters.

Article 94. The provisions contained in Articles 47 and 49 of the Law apply to the lessor in a contract for voyage charter.

The provisions on the rights and obligations of the parties to a contract contained in this chapter apply to the lessor and lessee of a contract for voyage charter only when the contract for voyage charter has made no relevant provisions or does not contain any provisions different from those mentioned above.

Article 95. If the lessee is not the holder of the bill of lading issued for the shipping of merchandise in accordance with the contract for voyage charter, the provisions contained in the said bill of lading apply to the relationship of rights and obligations between the carrier and the holder of the bill of lading. However, if the said bill of lading makes provisions that are applicable to the contract for voyage charter, they shall apply to the provisions contained in the contract for voyage charter.

Article 96. A lessor should deliver the ship agreed upon, but may change to another ship if the lessee agrees.

However, the lessee has the right to refuse and terminate the contract if the ship delivered or changed by the lessor contradicts the contract.

A lessor should compensate the lessee for damage caused by the lessor's failure to deliver the ship agreed upon.

Article 97. A lessee has the right to terminate the contract if the lessor fails to deliver the ship within the period prescribed in the contract. However, when a lessor notifies the lessee about the ship's delay and its estimated arrival time at the loading port, the lessee should decide whether to cancel the contract within 48 hours of receipt of the notice.

A lessor should compensate the lessee for damage caused by the lessor's delay in delivering the ship.

Article 98. The loading and unloading periods for a voyage charter and their computing method, the demurrage for loading and unloading beyond the periods, and the despatch money for loading and unloading ahead of the periods shall be decided by both sides.

Article 99. A lessee may sublet the contracted ship; the rights and obligations provided in the original contract shall not be affected by the sublet.

Article 100. A lessee should present the contracted goods, but may change to other goods if the lessor agrees. However, if the changed goods are damaging to the lessor, the latter has the right to refuse or cancel the contract.

A lessee should compensate the lessor for damage caused by the lessee's failure to deliver the contracted goods.

Article 101. A lessor should load goods at the contracted port. When a contract provides that the lessee decides the loading port but the lessee fails to notify the lessor in time about the loading port in accordance with the contract, the captain may choose one of the contracted ports for loading. A lessee should compensate the lessor for damage caused by the lessee's failure to notify the lessor in time about the agreed loading port. A lessor should compensate the lessee for damage caused by the lessor's unauthorized decision on the loading port in violation of the contracts.

#### **Section VIII. Special Provisions of Multiple Through-Transport Contract**

Article 102. Multiple through-transport contracts provided in this Law refer to contracts under which multiple through-transport operators are responsible for transporting—with shipping and at least another mode of conveyance—goods from the acceptance locality to the destination for delivery consignees, and for collecting the through-transport fee.

Multiple through transport operators provided in the above paragraph refer to parties who sign on their own, or commission others to sign on their behalf, multiple through-transport contracts with consignors.

Article 103. Multiple through-transport operators are responsible for goods contracted for multiple through-transport from the time of their acceptance until their delivery.

Article 104. Multiple through-transport operators are responsible for fulfilling or organizing the fulfillment of multiple through-transport contracts; they are also responsible for the through-transport of goods.

Multiple through-transport operators and carriers contracted for different sections of through-transport may sign separate contracts governing mutual responsibilities on each section of the through-transport. However, such contracts should not affect the operators' responsibilities for the through-transport.

Article 105. When loss or damage of goods occurs in one of the sections of the through-transport, the multiple through-transport operators' compensation liability and limit of liability should be adjusted by applying the relevant law on the shipping mode of that section.

Article 106. When the section in which the loss or damage of goods occurs cannot be determined, multiple through-transport operators are responsible for compensation according to the provisions in this chapter concerning carriers' compensation liability and limit of liability.

#### Chapter V. Maritime Passenger Transport Contract

Article 107. A maritime passenger transport contract is one according to which a carrier, using a vessel suitable for passenger transportation, transports passengers and their luggage from one port to another port by sea, and to which passengers pay for the travel ticket.

Article 108. The meanings of the terms used in this chapter are as follows:

(1) A "carrier" refers to the carrier himself or a person who entrusts another person to conclude a maritime passenger transport contract with a passenger on behalf of carrier.

(2) An "actual carrier" refers to the person who has been entrusted by a carrier to engage in passenger transport or partial passenger transport, including other persons who have been entrusted to engage in passenger transport.

(3) A "passenger" refers to a person being transported in accordance with a maritime passenger transport contract; with the agreement from the carrier, persons who are escorting goods on a vessel in accordance with a maritime freight transport contract shall be regarded as passengers.

(4) "Luggage" refers to any articles and vehicles transported by a carrier in accordance with a maritime passenger transport contract, with the exception of movable articles.

(5) "Accompanied luggage" refers to luggage personally carried by, under the care of, or placed by a passenger in the passenger hold.

Article 109. The provisions of this chapter concerning the responsibilities of a carrier shall apply to an actual carrier. The provisions of this chapter concerning the responsibilities of a carrier's employees and agents shall apply to an actual carrier's employees and agents.

Article 110. A travel ticket obtained by a passenger constitutes the verification of the establishment of a maritime passenger transport contract.

Article 111. The period of conveyance for maritime passenger transport begins when a passenger boards a vessel and ends when he leaves the vessel. If the price of a passenger ticket includes the fares which obligate the carrier to send a passenger, by water, from a vessel to shore and to fetch a passenger from the shore to a vessel, the period of conveyance is to include the time during which the carrier sends a passenger to shore and fetches him from the shore to a vessel. However, the time spent by a passenger in a port building, on a dock, or at other port facilities is excluded.

The provisions for the period of conveyance for the accompanied luggage of a passenger shall be the same as those stipulated in the previous paragraph. The period of conveyance for the unaccompanied luggage of a passenger begins when the passenger delivers the luggage to a carrier or his employees and agents and ends when the carrier's employees and agents return the luggage to the passenger.

Article 112. If a passenger travels in a vessel without a ticket, travels in a class higher than that stated on his ticket, or travels beyond the destination stated on his ticket, he must pay the additional fare according to regulations. The carrier is authorized to collect the additional fare according to regulations; if the passenger refuses to pay, the ship's captain has the right to order him to leave the vessel at an appropriate location, and the carrier has the right to ask him to repay his debt.

Article 113. A passenger is not allowed to carry on his person or in his luggage any contraband goods or other dangerous flammable, explosive, poisonous, corrosive, radioactive, or any other article that might endanger the safety of passengers and property on a vessel.

The carrier is authorized to unload, at any time and any location, contraband or dangerous articles carried by a passenger on his person or in his luggage in violation of the provisions stated in the previous paragraph, to destroy them or to render them harmless, or to deliver them to departments concerned, without having to be liable for compensation.

A passenger shall be liable for compensation for the damage he causes in violation of the provisions in the first paragraph of this article.

**Article 114.** During the period of conveyance for passengers and their luggage as prescribed in Article 111 of this law, the carrier is liable for compensating personal injury or death of passengers and loss or damage of their luggage in accidents caused by errors on the part of the carrier or its employees and agents within the scope of employment and commission.

Parties claiming compensation for errors from carriers or their employees and agents should substantiate the claim with evidence, except under circumstances prescribed in paragraphs three and four of this article.

When personal injury or death of passengers and loss or damage of their accompanying luggage are caused by the ship sinking, collision, grounding, explosion, and fire, or by defects of the ship, the carriers or their employees and agents are held responsible for errors unless they submit counter evidence.

Regardless of the cause of accidents, carriers or their employees and agents are held responsible for loss or damage of unaccompanied passenger luggage, unless counter evidence is submitted.

**Article 115.** When a carrier testifies that personal injury or death of passengers and loss or damage of their luggage have been caused by passengers on their own, or jointly by passengers and the carrier, the carrier's compensation liability may be exempted or reduced accordingly.

When a carrier testifies that personal injury or death of passengers and loss or damage of their luggage have been deliberately caused by passengers themselves, or that personal injury or death of passengers were a result of their own health condition, the carrier may be exempted of compensation liability.

**Article 116.** A carrier is not responsible for compensating loss or damage of currency, precious metals, jewelry, securities, and other passenger valuables.

When a passenger and the carrier contract on storage of articles listed in the above paragraph, the carrier is held liable for compensation according to the provisions in Article 117 of this Law; when the compensation limit agreed upon by the two sides in written contract exceeds the provisions in Article 117, the carrier should compensate the amount listed in the contract.

**Article 117.** Except in circumstances prescribed in paragraph four of this article, the compensation limit of a carrier on a maritime passenger transport contract shall be executed according to the following provisions:

(1) Personal injury or death of a passenger shall not exceed 46,666 accounting units;

(2) Loss or damage of a passenger's accompanied luggage shall not exceed 833 accounting units;

(3) Loss or damage of a passenger's car, including luggage in the car, shall not exceed 3,333 accounting units; and

(4) Loss or damage of a passenger's luggage other than that described in (2) and (3) shall not exceed 1,200 accounting units.

A carrier may contract with its passengers on immunity of compensation for their cars and luggage other than cars. However, the franchise should not exceed 117 accounting units for a car and 13 accounting units for other luggage for each passenger. When computing compensation for a car or other passenger luggage, the contracted franchise of the carrier should be deducted.

A carrier may sign contracts with passengers on the limit of compensation liability exceeding the provisions prescribed in (1).

The limit of compensation liability of carriers for maritime passenger transport between PRC ports shall be worked out by the State Council's department in charge of transportation and submitted to the State Council for approval and implementation.

**Article 118.** With testimony that personal injury or death and loss or damage of luggage of a passenger has been deliberately caused by the carrier, or by its carelessness or failure to take action with a clear knowledge of possible damage, the carrier cannot invoke the provisions in Articles 116 and 117 on the limit of compensation liability.

With testimony that personal injury or death and loss or damage of luggage of a passenger has been deliberately caused by employees and agents of the carrier, or by their carelessness and failure to take action with a clear knowledge of possible damage, the employees and agents cannot invoke the provisions in Articles 116 and 117 on the limit of compensation liability.

**Article 119.** When the luggage has been noticeably damaged, the passenger shall, in accordance with the following rules, submit written notice to the carrier, or its employees or agents:

(1) for carry-on luggage, the notice shall be submitted by the passenger before or upon his disembarkation; and

(2) for other luggage, the notice shall be submitted before or upon the return of the luggage.

When the luggage has been damaged but the damage is not noticeable and the passenger cannot discover the damage upon his disembarkation or when the luggage is returned to him, or when the luggage is destroyed or lost, the passenger shall, within 15 days after he has disembarked or after the luggage has been returned to him, submit a written notice to the carrier or its employees or agents.

If the passenger fails to submit a written notice in accordance with the first and second clause, it is considered that he receives the luggage undamaged, except when he can produce counterproof.

No written notice is necessary if the luggage has been inspected or examined by the passenger and the carrier together when it is returned.

Article 120. When a request for compensation is submitted to the carrier's employees or agents, and the employees or agents can prove that their conduct falls within the scope of their operations or consignment, they have the right to invoke the provisions in articles 115, 116, and 117 of this law concerning counterplea and limitation of liabilities.

Article 121. A carrier shall be responsible for the delivery throughout the journey in accordance with provisions in this chapter when it consigns the responsibility of delivering all or part of passengers to an actual carrier to fulfill. When an actual carrier fulfills the delivery, the carrier shall be responsible for the conduct of the actual carrier, or the conduct of the actual carrier's employees or agents within the scope of responsibilities they are employed or consigned to fulfill.

Article 122. All special accords about a carrier's responsibilities in undertaking obligations not provided in this chapter, or its decision to waive the privileges prescribed in this chapter, are valid for an actual carrier when the actual carrier has expressed written concurrence; and the special accords' validity on the carrier is not affected, whether or not the actual carrier concurs.

Article 123. When the carrier and the actual carrier are both liable for compensation, they shall share the liabilities within the limit of this liability.

Article 124. When requests for compensation are submitted separately to the carrier or actual carrier, or to their employees and agents, in connection with passenger injuries or deaths, or in connection with the destruction, loss, or damage of luggage, the total compensation shall not exceed the limit prescribed in article 117 of this law.

Article 125. The provisions in articles 121, 122, 123, and 124 shall not affect the carrier and the actual carrier from pressing each other for reparations.

Article 126. A contract about seaborne passenger transportation is invalid when it has one of the following clauses:

- (1) it exempts the carrier's statutory responsibilities which it shall undertake for its passengers;
- (2) it lowers the liability limits which this chapter has set for carriers;
- (3) it reaches a contradictory contract for the responsibility to show proofs as prescribed in this chapter; or
- (4) it limits passengers' rights to demand reparations.

The validity of other provisions of the contract are not affected by the invalidity of the contract mentioned above.

## Chapter VI. Charter Party

### Section I. General Provisions

Article 127. Provisions in this chapter about the rights and obligations between lessors and lessees are applicable only when no arrangements or no different arrangements have been made in a charter.

Article 128. Charters, including time charters and bareboat charters, shall be concluded in written form.

### Section II. Time Charter Party

Article 129. A time charter refers to a contract under which a lessor provides under agreement a ship staffed with crew for a lessee, and the lessee shall use this ship and pay the rents for arranged purposes within the period that has been agreed upon.

Article 130. The main contents of a time charter shall include the names of the lessor and the lessee, the ship's name, its nationality, its classification, its tonnage, its capacity, its maximum speed, its fuel consumption, its navigating zone, the purpose of its use, the leasing period, and the time and location of its delivery and return, as well as the terms, rent and its payment, and other related matters.

Article 131. The lessor shall deliver the ship at the time agreed upon in the contract.

If the lessor violates the provision above, the lessee has the right to dissolve the contract. If the lessor notifies the lessee about shipping delay and the anticipated time of the ship's arrival at the port of delivery, the lessee shall, within 48 hours of being notified, notify the lessor about his decision to dissolve the contract or continue the lease.

The lessor is liable for compensation if the lessee suffers losses owing to the lessor's delay in providing the ship.

Article 132. When the lessor hands over the ship, he shall do so cautiously so that the ship is navigable. The ship that has been handed over shall be usable for the purposes that have been agreed.

If the lessor violates the above provision, the lessee has the right to dissolve the contract and the right to demand reparations for losses incurred.

Article 133. If, within the leasing period, a ship is unfit for navigation or has other conditions making it unfit for navigation, the lessor shall take all reasonable measures possible to restore its navigability as quickly as possible.

If the navigability of the ship is not in line with that stated in the agreement, or if the ship cannot operate normally for 24 hours consecutively because of other conditions, the lessee may not pay the rent for the lost operating time, except when these conditions are caused by the lessee.

**Article 134.** The lessee shall guarantee that the ship is used for seaborne transportation between safe ports or locations within the navigating zone that has been agreed upon.

If the lessee violates the above provision, the lessor has the right to dissolve the contract and the right to demand reparations for losses thus caused.

**Article 135.** The lessee shall guarantee that the ship shall be used for transporting lawful goods that have been agreed upon.

If the lessee intends to use the ship for transporting live animals or hazardous cargo, he shall have the lessor's agreement in advance.

If the lessee violates the first or second clause of this article and causes losses to the lessor, the lessee is liable for reparations.

**Article 136.** The lessee has the right to issue ship operational commands to the ship's captain without violating the provisions in the time charter party.

**Article 137.** The lessee may sublease the chartered vessel provided a timely notice is served on the original lessor. The rights and obligations stated in the original charter party will remain unchanged after the chartered vessel is subleased.

**Article 138.** Where a ship owner transfers his ownership of the chartered vessel, the rights and obligations of the parties to the time charter party will remain unaffected; however, a timely notice shall be served on the lessee. After ownership is transferred, the transferee and the lessee shall continue to honor the original charter party.

**Article 139.** Where a vessel engages in a salvage operation during the contract period, the lessee is entitled to reimbursement for salvage expenses and compensation for losses; the ship's crew shall be entitled to part of the payment, as well as half of the salvage expenses after other payments are deducted.

**Article 140.** The lessee shall pay rents in accordance with contractual provisions. Where the lessee fails to pay rents in accordance with contractual provisions, the lessor has the right to terminate the charter party and seek compensation for losses arising therefrom.

**Article 141.** Where the lessee fails to pay rents or other fees provided for in the charter party, the lessor is entitled to impose a lien on cargo and other property owned by the lessee on board, as well as proceeds from subleasing the vessel.

**Article 142.** Except for natural wear and tear on the ship's hull, the ship shall be in the same condition as at the time of its delivery when the lessee returns it to the lessor.

Where the ship is not in the same condition as at the time of its delivery, the lessee shall be responsible for repairing it or paying compensation.

**Article 143.** Based on rational projections, the date for completing the last voyage shall correspond to the date for returning the ship as stipulated in the charter party. Where the last voyage is projected to be completed at a date later than the contract date for returning the ship, the lessee is entitled to use the vessel to complete the voyage during the additional period. The lessee shall pay rents for that period in accordance with the rates stipulated in the charter party; where the market rates are higher than the contract rates, the charterer shall pay rents in accordance with the market rates.

### Section III. Bareboat Charter Party

**Article 144.** A bareboat charter party is a contract under which the lessor provides an unmanned ship for the charterer's occupation, use, and operation for a fixed period in return for rents.

**Article 145.** The main contents of a bareboat charter contract include names of the lessee and the lessor; the name, nationality, classification, tonnage, measurement, navigation zone and usage of the ship; the duration of charter; the time, site and conditions for delivery and return of the vessel; the inspection, maintenance and repair of the vessel; charter money and its payment; hull insurance; the time and conditions for dissolution of contract; and other relevant issues.

**Article 146.** The lessor should deliver the vessel and its documents to the lessee at the time and the port or venue specified in the contract. At the time of delivery, the lessor should act carefully to ensure that the vessel is seaworthy. The delivered vessel should be suitable for the usage specified in the contract.

**Article 147.** During the period of the bareboat charter, the lessee is responsible for the maintenance and repair of the vessel.

**Article 148.** During the period of the bareboat charter, the lessee should insure the vessel and shoulder the cost based on the vessel's value specified in the contract, and according to the method agreed by the lessor.

**Article 149.** If the interest of the lessor is affected or if the lessor suffers losses due to the occupation, usage and operation of the vessel by the lessee during the period of bareboat charter, the lessee should act to remedy the situation or compensate the losses.

If the vessel is seized because of dispute over its ownership or because of debts owed by the lessor, the lessor should ensure that the interests of the lessee are not affected; and should compensate the lessee for all losses incurred.

**Article 150.** Without the written consent of the lessor, during the period of the bareboat charter the lessee is not

allowed to transfer the rights and obligations in the contract, or sublease the vessel in the form of bareboat charter.

Article 151. Without the prior written consent of the lessee, the lessor is not allowed to use the vessel as a pledge during the period of the bareboat charter.

If the lessor violates the preceding clause, thereby inflicting losses upon the lessee, the lessor should pay compensation.

Article 152. The lessee should pay the charter money on the date agreed in the contract. If the payment is more than seven days later than the date agreed in the contract, the lessor has the right to dissolve the contract, and to demand compensation for losses incurred.

If the vessel is lost or disappears, the payment of charter money should cease from the date the vessel is lost or from the day last information concerning the vessel is received. Advance payment of charter money should be refunded proportionately.

Article 153. Article 134, clause 1 of Article 135, and Articles 142 and 143 in this Law apply to bareboat charter contracts.

Article 154. In bareboat charter contracts containing provisions on lease purchase, ownership of the vessel belongs to the lessee when the lessee settles with the lessor all payments specified in the contract.

## Chapter VII. Ocean Haulage Contract

Article 155. An ocean haulage contract is a contract between a tugger who tows goods with a tugboat from one place to another by sea and a tuggee who pays the towage for such services.

The stipulations of this chapter do not apply to ship-towing services within port regions.

Article 156. An ocean haulage contract shall be drawn up in writing. The contents of such a contract shall consist mainly of names and addresses of the tugger and tuggee, names and major measurements of the tugboat and haul, as well as tugboat power, point of origin and destination of the haul, commencement date of haulage, towage, terms of payments, and other relevant matters.

Article 157. A tugger shall carefully ensure that a tugboat is seaworthy and suitable for towing prior to, and during the haulage. He shall appropriately arrange for crew members, ropes and equipment required for the haulage, as well as allocate supplies and other installations necessary for the voyage.

A tuggee shall carefully make adequate preparations for the haulage. He shall ensure that goods are in good condition for towing and accurately inform the tugger of such conditions, as well as supply relevant certificates and documents issued by examination offices on the suitability of goods being towed.

Article 158. If a contract cannot be fulfilled prior to haulage because of force majeure or other reasons that contracting parties are not responsible for, both parties may dissolve the contract and shall not hold each other responsible for compensation. Apart from contract stipulations, the tugger shall return paid towage to the tuggee.

Article 159. If a contract cannot be fulfilled after the commencement of haulage because of force majeure or other reasons that contracting parties are not responsible for, both parties may dissolve the contract and shall not hold each other responsible for compensation.

Article 160. If the haul cannot reach its destination because of force majeure or other reasons that contracting parties are not responsible for, unless there is separate agreement in the contract, the tugger may transfer the haul to the tuggee or his agent in the vicinity of the destination, or at a safe port or berthing place selected by the tugboat captain. The tugger shall be deemed to have fulfilled the contract.

Article 161. If the tuggee does not pay towage and other reasonable fees as agreed upon, the tugger has a lien on the haul.

Article 162. During the course of haulage, the party responsible for causing losses because of negligence shall be responsible for compensation. If losses are caused by the negligence of both parties, each party shall be responsible for compensation calculated according to the extent of their negligence.

Notwithstanding the preceding stipulation, once the tugger proves that losses were due to one of the following reasons, the tugger shall not be held responsible for compensation:

1. Negligence caused by tugboat captains, crews, navigators, or other employees and agents of the tugger while piloting or managing the tugboat [as received];
2. Negligence caused when the tugboat was involved in sea rescues or attempts to rescue lives or property.

This article shall only be applicable in the absence of similar provisions in the contract unless otherwise provided for in the contract.

Article 163. The tugger and tuggee shall be jointly liable for personal injuries and deaths or property loss of third parties incurred in the course of ocean towing as a result of the fault of the tugger or the tuggee. Unless otherwise stipulated in the contract, when compensation paid by a party exceeds the party's ratio of liability, the party has the right of recovery toward the other party.

Article 164. The act of tugging a cargo-loaded barge owned or operated by the owner of the tugboat from one port to another is considered ocean cargo transport.

**Chapter VIII. Collision Involving Vessels**

Article 165. The collision of ships refers to loss-incurring accidents occurring on sea or navigable waters linking sea and as a result of contact between ships.

The term ships used in the preceding paragraph refers to any ships involved in the collision which are not on military or government missions.

Article 166. When the collision of ships occurs, the captains of the ships involved in the collision shall make an all-out effort to rescue the other ship(s) involved in the collision as well as the personnel on the other ship(s), provided that such a rescue effort will not seriously endanger the rescuing ship and the safety of the personnel on that ship.

The captain of the ship involved in collision shall do the best to notify the other party involved in the collision of the name of the ship, the port of registration, the port of embarkation, and the purpose of voyage.

Article 167. Where collision occurs as a result of force majeure, or as a result of the fault of neither party, or as a result of causes which cannot be ascertained, the parties to the collision shall mutually not be liable to each other.

Article 168. Where collision occurs as a result of the fault of one ship, the ship in fault shall be liable for compensation.

Article 169. Where collision occurs as a result of the fault of all the ships involved in the collision, the ships shall be liable for compensation at a ratio commensurate to the extent of their respective fault.

Ships mutually at fault shall be liable for the loss caused to the ships, the cargo on the ships, and other properties at the ratio stipulated in the preceding paragraph. Ships shall not be liable for loss to the property of a third party beyond that ratio.

Ships mutually at fault shall be jointly liable for personal injuries or death of a third party. When compensation paid by a ship exceeds the ratio stipulated in the first paragraph of this article, the ship has the right of recovery toward the other ship(s).

Article 170. The provisions of this chapter shall apply to cases in which a ship causes losses to other ships and to the ships' personnel or cargo, as well as to other properties, as a result of improper operation or violation of navigational rules, even though there is practically no collision with the other ships.

**Chapter IX. Rescue From Perils of the Sea**

Article 171. This chapter applies to the rescue of ships in distress or of other properties on sea or on navigable waters linking the sea.

Article 172. The meaning of the terms used in this chapter:

(1) The term "ship" refers to the ship named in Article 3 of this Law, as well as all other ships involved in the rescue which are not on military or government missions.

(2) The term "property" refers to any property not permanently or intentionally attached to the coastline.

(3) The term "rescue funds" refers to any rescue remuneration, monetary reward, or compensation to be dispersed by the rescued party to the rescuer.

Article 173. This chapter's stipulations are not applicable to fixed or floating platforms and mobile drilling facilities that have been positioned at sea to explore, develop, or extract underwater mineral resources.

Article 174. Provided that the safety of the ship and the crew members is not seriously endangered, the ship captain is obligated to strive to save lives at sea.

Article 175. Once the rescuing and the rescued parties reach an agreement on rescue from the perils of the sea, a rescue contract is formed.

The captain of a ship in distress has the right to formulate a rescue contract on behalf of the shipowner. The captain of a ship in distress or the shipowner has the right to formulate a rescue contract on behalf of the owner of on-board properties.

Article 176. Under any of the following circumstances, if one party involved has sued the other party, a court of law handling the dispute may pass judgement to change the terms of a rescue contract; or if both parties have agreed to arbitration, the arbitrating organization may arbitrate a change in the terms of a rescue contract:

1. The contract has been formulated under unjust or dangerous circumstances, and its terms are obviously unfair;

2. The rescue remuneration to be paid by the rescued party to the rescuing party in accordance with the contract is considerably much higher or lower than the value of the actual rescuing services rendered.

Article 177. During the rescuing process, the rescuing party has the following obligations to the rescued party:

1. The rescuing party should rescue with due prudence;

2. The rescuing party should, with due prudence, prevent or reduce pollution and damage to the environment;

3. Under reasonable necessity, the rescuing party should seek assistance from other rescuing parties;

4. If the rescued party reasonably requests the rescuing party to seek other rescuing parties to join in the rescue operation, the rescuing party should comply, and the amount of its original rescue remuneration will not be affected. However, the original rescuing party's rescue remuneration will not be affected, if the request for other

rescuing parties to join in the rescue operation is unreasonable. [sentence as received]

Article 178. During the rescuing process, the rescued party has the following obligations to the rescuing party:

1. The rescued party should cooperate fully with the rescuing party;
2. The rescued party should, with due prudence, prevent or reduce pollution and damage to the environment;
3. When the salvaged ship or other properties have been delivered to a safe place, the rescued party should promptly comply with the reasonable request of the rescuing party that the rescued party be transferred elsewhere.

Article 179. If the rescuing party has effectively rescued a ship in distress and other properties, it is entitled to the rescue remuneration. Otherwise, except for other stipulations in some other laws, or the stipulations of this law's Article 182, or other terms listed in the contract, the rescuing party is not entitled to the rescue remuneration.

Article 180. When specifying the rescue remuneration, it is necessary to reflect an encouragement for rescue operations and comprehensively consider the following various factors:

1. The value of the rescued ship and other properties;
2. The rescuing party's techniques and efforts in preventing or reducing pollution and damage to the environment;
3. The rescuing party's rescuing results;
4. The nature and extent of the danger involved;
5. The rescuing party's techniques and efforts in rescuing the ship, other properties, and human lives;
6. The time, expenses, and loss incurred by the rescuing party;
7. The risk in responsibilities and other risks faced by the rescuing party or rescuing facilities;
8. The rescuing party's promptness in rendering rescue services;
9. The usability and actual functions of the rescuing ship or other rescuing facilities during the rescue operation;
10. The availability and effectiveness of the rescuing facilities' replacement and the value of the rescuing facilities.

The rescue remuneration should not be more than the value of the salvaged ship or other properties.

Article 181. The salvage value of the vessel and other property refers to the net estimated value of or net proceeds from the actual disposal of the vessel and other

property salvaged, after deducting relevant tax payments, customs charges, quarantine fees, inspection fees, and any expenses incurred during the process of loading and unloading, storage, evaluation, and disposal.

The value defined by the preceding clause does not include the value of salvaged personal effects of the crew or salvaged personal baggage of the passengers.

Article 182. The salvager of a vessel or its cargoes which pose a threat of environmental pollution or damage is entitled under this article to a special compensation equivalent to the salvage expenses from the vessel owner if the salvage award payable to the salvager under Article 180 of this law is less than the special compensation payable in accordance with this article.

If the salvager should successfully prevent or lessen environmental pollution or damage while carrying out the salvage operation described in the preceding clause, the special compensation payable by the vessel owner to the salvager in accordance with the provision of the same clause may be increased by an amount up to 30 percent of the salvage expenses. If the court or arbitration agency handling the dispute should deem it appropriate, after taking into consideration the provision of the first clause of Article 180 of this law, it may pass a judgment or decision to further increase the amount of special compensation; nevertheless, under no circumstances should the total increase be greater than 100 percent of the salvage expenses.

The salvage expenses mentioned in this article refer to reasonable expenses directly paid by the salvager during the salvage operation as well as the reasonable costs incurred in the actual use of salvage equipment and the dispatch of rescue workers. The provisions of items 8, 9, and 10 of the first clause of Article 180 of this law shall be taken into consideration when determining the amount of salvage expenses.

Under all circumstances, all special compensations provided for by this article shall only become payable when they exceed the salvage award payable to the salvager in accordance with the provisions of Article 180 of this law, in which case the actual payment shall be the portion of the special compensation in excess of the salvage award.

In the event of failure on the part of the salvager to prevent or lessen environmental pollution or damage through his own fault, the salvager may completely or partially forfeit entitlement to the special compensation.

The provisions of this article shall not affect the right of the vessel owner to recover from other salvaged parties the compensation paid.

Article 183. The amount of salvage award payable to the salvager shall be borne proportionately by the owners of the salvaged vessel and property according to the ratios of the respective salvage values of the vessel and other property in relation to the total salvage value.

Article 184. The salvage award payable to different salvagers involved in the same salvage operation shall be determined through negotiations between the various parties based on the criteria stipulated by Article 180 of this law; in the absence of an agreement through negotiations, the matter may be filed for a judgment by the court or, by an agreement between the parties concerned, be handed over to an arbitration agency for a decision.

Article 185. A salvager who has saved human lives in a salvage operation is not permitted to ask for awards from those who have been rescued, but has the right to a rational share of the salvaged vessel or other related property and of the relief funds which he has obtained for the purpose of preventing or reducing damage caused by environmental pollution.

Article 186. The following acts of salvage have no right to receive salvage funds:

(1) Salvage carried out in the act of carrying out the terms of a towing contract or other service contracts, with the exception of special labor provided apart from carrying out the above-mentioned obligations;

(2) Salvage carried out by ignoring the explicit and rational rejection of the captain and the owner of the vessel in distress, or the owner of other related property.

Article 187. Salvage funds to be paid to a salvager shall be canceled or reduced when a salvage operation becomes necessary or has become more difficult due to the fault of the salvager, or when it is discovered that the salvager has committed an act of swindling or has committed other acts of insincerity.

Article 188. After the salvager completes his salvage operation, the rescued side shall provide a satisfactory guarantee for the salvage funds in accordance with the demand of the salvager.

Provided the provisions of the previous paragraph are not affected, the owner of the rescued vessel shall, before delivering to the owner of the salvaged, do his best to ask the owner to provide a satisfactory guarantee for the salvage costs to be borne by the owner of the salvaged cargo.

Before a satisfactory guarantee is provided for the salvaged vessel and other property on it in accordance with the demand of the salvager, or without the approval of the salvager, the salvaged vessel or other property on it are not permitted to be removed from the port or a location which the vessel has reached after the completion of a salvage operation.

Article 189. Courts or arbitrator organs handling claims of salvage costs may decide, in light of reality and under rational conditions, the amount of money to be paid in advance by the rescued side to the salvager.

The advanced payment paid by the rescued side in accordance with the provisions of the previous paragraph is to be correspondingly deducted from the

amount of guarantee provided by the rescued side in accordance with the provisions of Article 188 of this law.

Article 190. After 90 days, if the rescued side fails to pay for the salvage costs or to provide a satisfactory guarantee for the salvaged vessel or other property on it, the salvager may file an application with a court or an arbitration organ for a ruling on compulsory auction; the salvager may file an application for a ruling on auctioning the salvaged vessel or other property on it at an early date if it is discovered that taking care of them is impossible or difficult, or if the cost of taking care of them may exceed their value.

The money from the auction, after deducting expenses incurred in the care-taking and auctioning process, shall be used to pay for the salvage cost in accordance with the provisions of this law; the remaining money shall be returned to the rescued side; if the remaining money cannot be returned and is not claimed after one year from the day of auction, it shall be delivered to the state treasury; if the money is insufficient to pay for the salvage costs, the salvager has the right to claim compensation from the rescued side.

Article 191. In a salvage operation conducted to rescue vessels belonging to the same owner, the provisions of this chapter shall apply to the right of the salvager to obtain salvage costs.

Article 192. In a salvage operation engaged or controlled by a competent state organ concerned, the salvager has the right to enjoy the rights and compensation regarding salvage operations provided for in this chapter.

#### Chapter X. General Average

Article 193. General average refers to the special expenses which have to be paid and specially sacrificed [xi sheng 3686 3873] as the direct result of measures adopted intentionally and rationally to protect common safety when vessels, their cargo, and other property on them are confronted with a common danger on the same sea voyage.

The damage to a vessel and its cargo caused by a delay which either occurs during or after the completion of a voyage, including damage to the sailing schedule, damage with regard to the current price on the market, and other indirect damage, is not to be listed under general average.

Article 194. When a vessel is damaged because of an accident, a sacrifice [xi sheng], or other special circumstances, it may sail into a port of refuge, a place of refuge, or return to the port of loading or the place of loading for necessary repairs. The port fees, wages, and provisions for its sailors; the fuel and other materials consumed; and the damage and other expenses incurred in unloading, storing, reloading, or removing the cargo, fuel, materials, and other property from the vessel to facilitate repairs during the time of the vessel's stay at a port or a place shall be listed under general average.

Article 195. Extra expenses paid in place of special expenses that can be listed under general average may be listed as substitute expenses under general average; but the amount of substitute expenses listed under general average must not exceed the substituted special expenses of the general average.

Article 196. The party that requests a contribution to the general average must prove that its losses should be classified as general average.

Article 197. An accident which results in general average in the form of special sacrifices and special expenses, even though the accident may be caused by the mistake of one party during the voyage, shall not affect the party's right to demand a contribution to the general average; but the party not at fault or the party at fault may claim compensation or contradict the claim in connection with the mistake.

Article 198. The amount of general average sacrifices of a vessel, its cargo, and transport fee is determined by the following provisions:

(1) The amount of general average sacrifices of a vessel is calculated on the basis of the actual amount of money paid for repairs and on the basis of deducting a reasonable amount of decrement in the replacement of new parts. Before a vessel is repaired, the amount of its general average sacrifices shall be calculated on the basis of the rational depreciation created by the sacrifices, but the amount must not exceed the estimated repair fee.

If a vessel is actually totally damaged or if the repair fee is expected to exceed the value of the vessel after it is repaired, the amount of general average sacrifices shall be calculated on the basis of the remaining value obtained by deducting the estimated repair fee, which is not part of the general average loss, and the value of the vessel after it is damaged from the value of the vessel estimated when it was in good condition.

(2) In the event of a cargo loss, the value of a general average cargo loss equals the sum of the cargo value at the time of loading, the insurance premium, and freight, minus that part of freight whose payment is unnecessary because it covers the cargo sacrificed under general average loss procedures. In the event of damage to cargo, the value is reached by subtracting the net proceeds from the sale of the cargo from the sum of the cargo value at the time of loading, the insurance premium, and freight, provided the damaged cargo is sold before agreement is reached on the extent of damage.

(3) The value of a general average freight loss equals lost freight that covers the cargo sacrificed under general average loss procedures, minus operational expenses that should have been paid to secure the freight but whose payment has become unnecessary because of the procedures.

Article 199. A general average loss shall be borne proportionally by the parties that have benefited in accordance with their shares of payment to cover the loss.

Payment to cover a general average loss involving a ship, cargo, or freight shall be determined in accordance with the following methods:

(1) Payment to cover a general average ship loss shall be determined by deducting losses not covered under general average loss procedures from the ship's full value at the end of its voyage, or by deducting the value of the general average loss from the ship's real value at the end of the voyage.

(2) Payment to cover a general average cargo loss shall be determined by deducting losses not covered under general average loss procedures and the risk freight charged by the carrier from the sum of freight and the cargo value at the time of loading. If the cargo is sold before it reaches its destination, the payment shall be determined by adding the value of the general average loss to the net proceeds from the sale.

Passengers' baggage and personal effects shall not be used to cover a general average loss.

(3) Payment to cover lost freight shall be determined by adding the value of the general average loss to the difference between operational expenses, which are customarily disbursed to secure freight and which are nonetheless paid to complete the voyage after the general average loss, and the amount of freight which the carrier charges to cover risks and which it is entitled to collect at the end of the voyage.

Article 200. An undeclared or a falsely declared cargo shall be used to cover a general average loss; any special sacrifice to which it is subject may not be listed as a general average loss.

If a cargo is improperly declared as lower than the real value, it shall be used to cover a general average loss on the basis of its real value. If it is sacrificed under general average loss procedures, the value of the loss shall be based on the declared value.

Article 201. Interest shall be charged on special sacrifices under general average loss procedures and on special advance payments to cover a general average loss. Special advance payments shall include procedural fees in addition to the crew's wages, maintenance fees, and the costs of fuel and materials consumed by the vessel.

Article 202. At the request of interested parties, the parties sharing the cost of a general average loss shall provide a guaranty in this respect.

If a cash deposit is paid as a guaranty against a general average loss, it shall be placed in a bank in the name of a loss adjuster who serves as custodian.

The way in which the deposit is provided, used, or returned shall not affect the ultimate responsibilities of various parties for sharing the cost of the loss.

**Article 203.** A general average loss shall be assessed in accordance with the rules of assessment stipulated in the contract. In the absence of relevant rules in the contract, the provisions of this chapter shall apply.

#### **Chapter XI. Limits of Liability for Compensation for Accidents at Sea**

**Article 204.** In accordance with the provisions of this chapter, the shipowner and the salvager may limit their liabilities for compensation in dealing with the maritime claims listed in Article 207 of this law.

The shipowner referred to in the preceding paragraph includes the charterer and the ship's operator.

**Article 205.** The maritime claims listed in Article 207 of this law shall not be filed against the shipowner and the salvager; they shall be filed against individuals who are responsible for the actions and failings of the shipowner and the salvager. These individuals may limit their liabilities for compensation in accordance with the provisions of this chapter.

**Article 206.** When the insurer may have limited liability for damages in accordance with the provisions in this chapter, insurers liable for the maritime claims are entitled to similar limitation of liability for damages in accordance with the provisions in this chapter.

**Article 207.** For the following maritime claims, the liable party may limit its liability for damages in accordance with the provisions in this chapter, no matter how different the basis of the liability for damages may be, except for those prescribed separately in articles 208 and 209:

(1) Claims for bodily injury, death, destruction, loss, or damages which occur on board; or which are directly related to shipping and salvage operations, including damages to port facilities, marinas, channels, and navigational facilities, as well as other relevant damages;

(2) Claims for losses caused by delayed delivery of seaborne cargo, or by delayed arrival of passengers and their luggage;

(3) Claims for other losses directly related to shipping or salvage operations, or losses caused by conduct of infringing upon noncontractual rights; and

(4) Claims filed by people, other than the liable party, to avert or reduce their losses as a result of the latter's limitation of liability in accordance with the provisions of this chapter, as well as claims for further losses caused by this measure.

All the above claims, no matter in what different ways they are filed, may have limited liability for damages.

However, item (4) involves payments arranged by contracts with the liable party, and its payments shall not be based on provisions about limited liability for damages in this article.

**Article 208.** Provisions in this chapter are not applicable in the following cases:

(1) Claims for relief funds or general average contributions;

(2) Claims for oil slick damages, which have been prescribed in the International Convention on Civil Liability for Oil Slick Damages, to which the People's Republic of China has acceded;

(3) Claims for nuclear damages, which have been prescribed in the International Convention on Liability Limitation for Nuclear Damages, to which the People's Republic of China has acceded;

(4) Claims for nuclear damages caused by nuclear-powered ships;

(5) Claims filed by shipowners or employees of salvagers. In accordance with the law for readjusting contracts of labor services, shipowners or salvagers are not entitled to limited liability for damages for such claims, or when the law has prescribed higher compensatory norms than those in this chapter.

**Article 209.** When the damages causing the claims have been proven to be caused deliberately by the liable party, or caused by its reckless actions or inactions when it clearly knows that damages may result, it has no rights to limit the liability for damages in accordance with the provisions in this chapter.

**Article 210.** Maritime damages shall be assessed according to the following rules, except those prescribed separately in Article 211 of this law:

(1) About claims for bodily injuries or deaths:

1. The compensatory limit is 333,000 computation units for ships with total tonnage between 300 to 500;

2. For ships with total tonnage exceeding 500, rule 1 above is applicable for the portion below 500 tonnes, and the following amounts shall be added to the portion exceeding 500 tonnes:

—add 500 computation units for each tonne for the portion from 501 tonnes to 3,000 tonnes;

—add 333 computation units for each tonne for the portion from 3,001 tonnes to 30,000 tonnes;

—add 250 computation units for each tonne for the portion from 30,001 tonnes to 70,000 tonnes; and

—add 167 computation units for each tonnes for the portion exceeding 70,000 tonnes.

(2) About claims for nonbodily injuries or deaths:

1. The compensatory limit is 167,000 computation units for ships with total tonnage from 300 to 500;

2. For ships with total tonnage exceeding 500, rule 1 above is applicable for the portion below 500 tonnes, and the following amounts shall be added to the portion exceeding 500 tonnes:

—add 167 computation units for each tonne for the portion from 501 tonnes to 30,000 tonnes;

—add 125 computation units for each tonne for the portion from 30,001 tonnes to 70,000 tonnes; and

—add 83 computation units for each tonne for the portion exceeding 70,000 tonnes.

(3) When the norm set in (1) is inadequate for paying the claims for bodily injuries or deaths in full, the difference shall be incorporated with claims for nonbodily injuries or deaths, and paid proportionally from the norms set in (2).

(4) While claims for bodily injuries or deaths in (3) are not affected, claims for damages to port facilities, marinas, channels, and navigational facilities shall be compensated for ahead of those in (2).

(5) The liability limits of salvagers whose operation is not on ships, or who operate on the ships being salvaged, shall be computed according to ships with total tonnage of 1,500.

The compensatory limits for ships with total tonnage below 300 operating between ports in the People's Republic of China, and ships operating along the coast, shall be set by communications authorities under the State Council and enforced with the State Council's approval.

**Article 211.** The limits of liability for damages for bodily injury or death of passengers in maritime passenger transport shall be 25 million computation units or the resultant of a multiplication of the number of passengers stipulated in the ship certificate by 46,666 computation units, whichever is lower.

The limits of liability for damages for bodily injury or death of passengers in maritime passenger transport between ports in the People's Republic of China shall be set by communications authorities under the State Council and be enforced upon the State Council's approval.

**Article 212.** The limits of damages stipulated in Article 210 and Article 211 of this Law shall apply to the total amount of claims made against the shipowner and the salvager as well as claims they make against people who are liable for their behavior and errors, as a result of an accident which takes place under a given situation.

**Article 213.** If the liable party should request a limitation of his liability for damages in accordance with the

provisions in this law, it may establish a liability limitation fund at a court with relevant jurisdiction. The amount of the fund shall be governed by the different limits stipulated in Article 210 and Article 211 of this law, adding corresponding interests for the period from the day the liability arises to the day the fund is established.

**Article 214.** Upon establishment of a liability limitation fund by the liable party, any persons who have made a claim against the liable party shall cease to exercise any rights over any property of the liable party, and the court shall set a timely order to release any vessels or other property of the fund establisher that are being distrained and to return any security surrendered by the fund establisher.

**Article 215.** Any counterclaims made by the party enjoying the liability limitation provided for in this chapter against the claimants in connection with the same accident shall be offset against claims. The limits of damages provided for in this chapter shall only apply to the balance between the amounts of claims and counter-claims.

## Chapter XII. Maritime Insurance Contract

### Section I. General Provisions

**Article 216.** A maritime insurance contract refers to a contract under which the insurer undertakes the responsibility to pay compensation for damage to insured objects caused by the insurer in an insured accident and the resultant liabilities, in return for an insurance premium paid by the insurer.

The insured accident mentioned in the preceding clause refers to any maritime accident stipulated by the insurer and the insured and shall include accidents occurring on an inland river or on grounds that are related to maritime navigation.

**Article 217.** The contents of a maritime insurance contract shall include mainly the following items:

- (1) name of the insurer;
- (2) name of the insured;
- (3) insured objects;
- (4) insured value;
- (5) insured amount;
- (6) insured liabilities and liabilities excluded from the insurance;
- (7) period of insurance;
- (8) insurance premium.

**Article 218.** The insured objects may be the following:

- (1) vessels;

- (2) cargoes;
- (3) operational incomes from vessels, which include freight, rents, and passenger fares;
- (4) expected profits from cargoes;
- (5) wages and other rewards for the crew;
- (6) third party liabilities;
- (7) other property likely to be damaged in an insured accident and the resultant liabilities and expenses.

The insurer may reinsure the insurance for the insured objects mentioned in the preceding clause. Unless otherwise stipulated by the contract, the original insurer shall not be entitled to the benefits of the reinsurance.

**Article 219.** The insured value of the insured objects shall be determined and agreed upon between the insurant and the insurer.

Prior to determining the insured value by the insurant and the insurer, the insured value shall be calculated in accordance with the following provisions:

- (1) The insured value of a ship refers to the value of the ship at the commencement of the insurance, which shall include the sum total of the values of the hull, machinery, equipment, fuels, materials, rigging, supplies and fresh water plus the premium;
- (2) The insured value of the goods refers to the sum total of the invoice value of the goods at the port of dispatch at the commencement of the insurance, or the actual value of a nontrading commodity at the place of dispatch plus freight and premium;
- (3) The insured value of freight refers to the sum total of the total freight chargeable by the carrier plus the premium;
- (4) The insured value of the other insured objects refers to the sum total of the actual value of the insured objects at the commencement of the insurance plus the premium.

**Article 220.** The insured amount shall be determined and agreed upon by the insurant and the insurer. The insured amount shall not exceed the insured value; any amount in excess of the insured value shall be null and void.

## **Section II. The Conclusion, Cancellation, and Transfer of Contracts**

**Article 221.** A contract shall be deemed to be concluded when the insurer agrees to accept insurance for an insurance proposal put forward by the insurant, and when both parties have reached an agreement on the provisions stated in the marine insurance contract. The insurer should promptly issue a policy or other insurance documents to the insurant, and shall clearly state the

terms and conditions of the contracts agreed upon by both parties in the policy or other insurance documents.

**Article 222.** Prior to entering into a contract, the insurant shall truthfully provide the insurer information about significant matters that the insurant knows of or should know of in the general operation of his business that may affect the insurer in determining the rate of premium or deciding whether or not to accept the insurance proposal.

The insurant shall not be obliged to provide the insurer information about matters which the insurer is aware of or should be aware of in the general operation of his business and the insurer has not enquired about.

**Article 223.** In the event the insurant has deliberately failed to truthfully provide the insurer information on significant matters as required under Article 222 of the law, the insurer shall be entitled to cancel the contract, and shall not refund the premium. The insurer shall not be responsible for losses caused by an accident that may have occurred prior to cancellation of the contract.

In the event the insurant has not deliberately failed to inform the insurer of significant matters as required under Article 222, the insurer shall be entitled to cancel the contract or demand an appropriate increase in the premium. In case of cancellation of a contract, the insurer shall be responsible for compensating losses caused by an accident that may have occurred prior to cancellation of the contract; however, this shall exclude cases where the insurant has failed to inform or has misinformed the insurer on important matters that have a bearing on the accident.

**Article 224.** When an insurance contract is concluded, if the insurant already knows or should know that the object insured is damaged in an insured accident, the insurer is not liable for compensation but has the right to collect the insurance premium; if the insurant already knows or should know that the insured object can no longer be damaged by an insured accident, the insurant has the right to recover the premium already paid.

**Article 225.** When an insurant signs multiple contracts with several insurers on the same object against the same accident, thereby causing the total amount of insurance for the object to exceed its value, the insurant may file a compensation claim to all insurers, unless otherwise stipulated by the contracts. The total amount of compensation received by an insurant should not exceed the amount of the damage to the object insured. Each insurer is liable for a share of the compensation based on the ratio of the contracted sum to the total amount of insurance. An insurer who has paid compensation exceeding the due share has the right to claim reimbursement from other insurers who have not paid their share of compensation.

**Article 226.** Before insurance liability takes effect, the insurant may request cancellation of a contract but

should pay a service charge to the insurer, and the insurer should refund the premium.

**Article 227.** After insurance liability takes effect, both insurant and insurer cannot cancel a contract, unless otherwise stipulated in the contract.

If an insurant requests the cancellation of a contract according to its stipulations, the insurer can collect the portion of premium covering the period from the day the insurance liability began to the day it ends, and refund the remaining portion; an insurer who requests cancellation of a contract should refund the premium covering the period from the day of cancellation of the contract to the day it expires.

**Article 228.** Notwithstanding the provisions in Article 227 of this law, an insurant cannot request cancellation of insurance for cargo transport and shipping after the insurance liability takes effect.

**Article 229.** The insurant may transfer an insurance contract for maritime cargo transport through endorsement or other forms, and the rights and obligations of the contract shall be transferred accordingly. Both the insurant and transferee of a contract are jointly liable for the insurance premium outstanding at the time of transfer.

**Article 230.** Transfer of an insurance contract of a ship as a result of transferring its ownership must be approved by the insurer; without the insurer's approval, the insurance contract is terminated at the time of transfer; when the transfer takes place during a voyage, the insurance contract will be terminated at the end of the voyage.

After a contract is terminated, the insurer should refund to the insurant the premium covering the period from the day the contract is terminated until its expiration date.

**Article 231.** An insurant who accepts partial shipments of goods during a given period of time may sign precontracts with an insurer. A precontract for insurance must be certified in a document signed by the insurer.

**Article 232.** At the request of an insurant, the insurer should sign separate insurance documents for each of the precontracts for partial shipments of goods insured.

When the contents of an insurance document and the precontract signed by an insurer are different, the insurance document should be taken as the standard.

**Article 233.** An insurant should promptly notify the insurer of the loading and arrival of goods insured in a precontract. The contents of the notification should include the name of the ship, its navigation route, value of the goods, and the amount of insurance.

### Section III. Obligations of the Insured

**Article 234.** Unless otherwise stipulated by the contract, an insurant should pay the premium immediately after a

contract is concluded; before an insurant pays the premium, the insurer may refuse to issue an insurance document.

**Article 235.** An insurant should immediately notify the insurer in writing about violation of the provisions of guarantee in a contract. Upon receipt of the notification, the insurer may terminate the contract, or request amendment of conditions insured or increase the insurance premium.

**Article 236.** When an insured accident occurs, the insurant should immediately notify the insurer and take necessary reasonable measures to prevent or minimize damage. Upon receiving a special notification from the insurer requesting reasonable measures for preventing or minimizing damage, the insurant should comply with the insurer's request.

The insurer is not liable for compensation of extended damage caused by the insurant as a result of violation of the provisions in the preceding paragraph.

### Section IV. Responsibilities of the Insurer

**Article 237.** When an insured accident occurs, the insurer should promptly pay insurance indemnity to the insurant.

**Article 238.** Indemnity paid by the insurer for damage caused by an insured accident is limited to the amount of the insurance. When the amount of insurance is less than the value of an insured object, in the event of partial damage of the insured object, the insurer is liable for indemnity in proportion to the damaged part.

**Article 239.** The insurer should pay indemnity for damage to an insured object caused by several insured accidents during the period insured, even when the total amount of damage exceeds the amount of insurance. Notwithstanding, the insurer should pay for all damage caused by previous partial damage that is not repaired.

**Article 240.** In addition to indemnity for damage to the insured object, the insurer should pay the insurant for reasonable expenses in preventing or minimizing damage covered by the contract; reasonable expenses for testing, appraising, and determining the nature and extent of an insured accident; and expenses for executing special notification to the insurer.

The insurer's payment to expenses prescribed in the preceding paragraph should not exceed the amount of insurance.

Unless otherwise stipulated by the contract, when the amount of insurance is less than the value of an insured object, the insurer is liable for expenses prescribed under this article in proportion to the ratio of the amount insured to the value of the insured object.

**Article 241.** When the amount of insurance is less than the contributory value of a general average, the insurer

should pay indemnity for a general average contribution in proportion to the ratio of the amount of insurance to the value of contribution.

**Article 242.** The insurer is not liable for indemnity of damage deliberately caused by the insurant.

**Article 243.** Unless otherwise stipulated by the contract, the insurer is not liable for indemnity of damage of goods caused by one of the following reasons:

- (1) delay in navigation and delivery, or changes in markets;
- (2) natural spoilage of goods, and their own defects and natural property; and
- (3) improper packing.

**Article 244.** Unless otherwise stipulated by the contract, the insurer is not liable for indemnity of ship damage caused by one of the following reasons:

- (1) unseaworthy conditions of a ship insured for a fixed term, except if the unseaworthy conditions are unknown to the insurant; and
- (2) natural attrition and corrosion by rust on ships.

The provisions in this article shall be used as reference for freight insurance.

#### **Section V. Damage and Abandonment of What Is Insured**

**Article 245.** Actual total loss refers to the loss of an insured object; the total destruction of the original form, structure, and utility of the insured object as a result of serious damage; or depriving the insurant of ownership in the wake of an insured accident.

**Article 246.** Estimated total loss refers to circumstances in which, in the wake of an insured accident, actual total loss of a ship is regarded as unavoidable or expenses necessary for avoiding actual total loss already exceed the insured value.

In the wake of an insured accident, the estimated total loss of goods refers to circumstances in which actual total loss of goods is regarded as unavoidable or when the sum of expenses necessary for avoiding their actual total loss and for continuing to haul them to the destination already exceeds their insured value.

**Article 247.** Damage other than actual total loss and estimated total loss is referred to as partial damage.

**Article 248.** A ship that fails to reach its destination from its last known location within a reasonable period of time is, except as otherwise agreed, considered missing after no information is heard from it for two months. A missing ship is regarded as actual total loss.

**Article 249.** In case of constructive total loss of an insured object, the insurant shall abandon the insured object to the insurer when he demands that the insurer

pay compensations for actual total loss. The insurer may or may not accept the abandonment, but he must notify the insurant of the decision to accept or not accept the abandonment within a reasonable period of time.

There shall be no conditions attached to abandonment. The insurer is not allowed to renege once it accepts the abandonment.

**Article 250.** When the insurer accepts abandonment, the insurant shall turn over all the rights and obligations of the abandoned property to the insurer.

#### **Section VI. Payment of Insurance Indemnities**

**Article 251.** After an insurance accident, the insurer may ask the insurant to provide proof or information confirming the nature and damage of the accident before making an indemnity payment.

**Article 252.** Where the loss of an insured object is caused by a third person and is within the scope of insured liability, the insurant's right to claim damage from the third person shall be transferred to the insurer from the day the insurer makes an indemnity payment.

The insurant shall provide the insurer with necessary documents and information and assist the latter as much as possible in recovering compensations from the third person.

**Article 253.** Where the insurant abandons, without the endorsement of the insurer, his rights to claim compensation from the third person or, because of mistakes on the part of the insurant, the insurer is unable to exercise his rights to recover compensations, the insurer may make a corresponding deduction from the insurance indemnity.

**Article 254.** When making insurance indemnity payments, the insurer may deduct from the indemnity the amount of compensation the insurant has already obtained from the third person.

The insurer shall give to the insurant the portion of compensation obtained from the third person in excess of the indemnity it has paid to the insurant.

**Article 255.** After an insured accident, the insurer has the right to abandon his rights to the insured object and pay the full amount of insurance indemnity as stipulated in the contract to absolve him of obligations to the insured object.

In exercising the right provided for in the preceding paragraph, the insurer shall notify the insurant within seven days of receipt of the claim for compensation from the insurant; the necessary and reasonable expenses incurred by the insurant to avoid or reduce damage before receipt of notification shall be reimbursed by the insurer.

**Article 256.** Except for provisions in Article 255 of this law, in case of actual total loss of an insured object, the

insurer obtains full rights to the insured object after he pays the full amount of compensation; however, in case of partial insurance, the insurer shall obtain partial rights to the insured object in proportion to the insured amount and value.

### Chapter XIII. Limitations

Article 257. The limitation for claiming compensation from the shipper of maritime cargo is one year, starting from the day the carrier hands over or should hand over the cargo. During or after this limitation, the period of limitation for the person who is deemed eligible to claim compensation from a third person is 90 days, starting from the day the claimant settles the original claim for compensation or the day he receives a copy of the bill of prosecution from the court accepting his complaint.

The period of limitation for claiming compensation with regard to voyage charter is two years, starting from the day the party becomes aware, or should become aware, of the infringements of his rights.

Article 258. The limitation for claiming compensation from the shipper for maritime passenger transportation is two years, to be counted in accordance with the following stipulations:

(1) limitation for claiming compensation for physical injury to a passenger shall start from the day the passenger leaves or should leave the ship;

(2) limitation for claiming compensation for the death of a passenger shall start from the day the passenger is supposed to leave the ship if the death takes place while the ship is en route; where the passenger's death is caused by an injury received while the ship is en route, limitation should start from the day he leaves the ship; however, this limitation shall not exceed three years from the day he leaves the ship;

(3) limitation for claiming compensation for lost or damaged luggage shall start from the day the passenger leaves or should leave the ship.

Article 259. The period of limitation of the right to make a claim concerning a ship's charter contract is two years, beginning on the day when the violation of the right is known or should be known.

Article 260. The period of limitation of the right to make a claim concerning a contract for towing at sea is one year, beginning on the day when the violation of the right is known or should be known.

Article 261. The period of limitation of the right to make a claim concerning collision between ships is two years, beginning on the day of collision. The period of limitation of the right to make a claim for compensation stipulated in the third paragraph of Article 169 of this law is one year, beginning on the day of the payment of compensation for damages or injuries by the parties who are jointly liable.

Article 262. The period of limitation of the right to make a claim concerning salvage is two years, beginning on the last day of salvage operations.

Article 263. The period of limitation of the right to make a claim concerning general average contribution is one year, beginning on the day when the relevant calculation is completed.

Article 264. The period of limitation of the right to make a claim against the insurer of a maritime insurance contract is two years, beginning on the day of the accident covered by the insurance.

Article 265. The period of limitation of the right to make a claim concerning oil pollution damage done by a ship is three years, beginning on the day when the damage is done. However, under extraordinary circumstances, the period of limitation may be extended to not more than six years, beginning on the day when damage is done.

Article 266. When the right to make a claim cannot be exercised because of force majeure or other obstacles during the last six months of the period of limitation, the counting of the period of limitation shall be suspended, and the counting shall resume when the cause of the suspension disappears.

Article 267. The counting of the period of limitation shall be suspended when the claimant starts a lawsuit or requests arbitration, or the other party agrees to fulfill his obligations. However, it shall not be suspended when the claimant withdraws the lawsuit or arbitration request, or his lawsuit is rejected.

When the claimant requests the seizure of the ship, the counting of the period of limitation shall be suspended.

After the counting of the period of limitation is suspended, it shall start from scratch again.

### Chapter XIV. Legal Applications Involving Foreign Concerns

Article 268. If any international treaties of which the People's Republic of China is a signatory or participant differ from this law, the international treaties shall apply, with the exception of clauses on which the People's Republic of China declares reservation.

International practices may apply if no relevant provisions can be found in any laws of the People's Republic of China or in any international treaties of which the People's Republic of China is a signatory or participant.

Article 269. The parties concerned of a contract may choose a law which is applicable to the contract, unless the law stipulates otherwise. If the parties concerned have no choice, a law which is the most relevant to the contract shall apply.

Article 270. The law of the country of the ship's flag shall apply to the acquisition, transfer, or termination of a ship's ownership.

**Article 271.** The law of the country of the ship's flag shall apply to the mortgage right of a ship.

The law of the country of a ship's original registration shall apply to the ship's mortgage right before and during the period of bareboat charter.

**Article 272.** The preferential right over shipping is subject to the law of the place where the court handling the case is located.

**Article 273.** The compensation for a ship's collision damages is subject to the law of the place where the collision takes place.

The compensation for damages caused by collision between ships on the high seas is subject to the law of the place where the court handling the case is located.

The compensation for damages caused by collision between ships of same nationality is subject to the law of the country of the ships regardless of the place of collision.

**Article 274.** The calculation of general average is subject to the law of the place of calculation.

**Article 275.** The restrictions on maritime compensation liability are subject to the law of the place where the court handling the case is located.

**Article 276.** Application of foreign laws or international practices in accordance with the provisions of this chapter must not violate the public interests of the People's Republic of China.

#### Chapter XV. Supplementary Provisions

**Article 277.** The calculating unit described in this law denotes the special drawing right stipulated by the IMF, and the amount in renminbi shall be the amount in renminbi converted according to the rate of exchange between the IMF special drawing right and the renminbi set by the state foreign exchange organ on the day of the court decision, the arbitrator's decision, or the agreement between the parties concerned.

**Article 278.** This law shall be put into force on 1 July 1993.

#### Economic & Agricultural

##### New Policies To Attract Foreign Investment

OW0612033792 Beijing XINHUA in English  
0305 GMT 6 Dec 92

[Text] Beijing, December 6 (XINHUA)—China is considering to draft new favorable policies for attracting international conglomerates that could bring in huge amounts of investment and high technology.

Further access to domestic markets is being planned for such companies, according to Tong Yizhong, deputy

director-general of the Foreign Investment Administration of the Ministry of Foreign Economic Relations and Trade (MOFERT).

He revealed many companies even hope to shift their regional headquarters to China from other Asian and Pacific countries.

But he warned big worldwide firms would not invest heavily here if their freedom to manufacture and market their goods continues to be restricted.

Tong said China is negotiating with several large firms from the United States and Western Europe to invest in projects that could be worth hundreds of millions of U.S. dollars. They cover such fields as electronics, automobiles, petrochemicals, machinery and instruments.

Apart from a strategic emphasis on luring large international conglomerates, Tong said China also plans to create more favorable treatment for more modest investment from overseas.

He said China has agreed in principle that privately owned enterprises in China can set up joint ventures with foreign businesses.

The country's rural enterprises will also get the go-ahead to establish more joint ventures with overseas funding to bolster the development of foreign investment in medium and small enterprises.

Another initiative is to give flexible policies concerning overseas investment in the agricultural sector.

However, Tong said foreign investment in the service industry should be developed properly.

#### New Regulation on Importing Technology, Equipment

HK0712024992 Hong Kong CHING CHI TAO PAO in Chinese No 44, 9 Nov 92 p 13

[From the "China Economic News" column]

[Text] The state stipulates that, in importing technology and equipment, "the authorities in charge of a given trade should exercise unified management over affiliated enterprises, while all domestic parties involved in an import project should jointly transact with the foreign party and sign contracts separately." All equipment imported in violation of this regulation is disqualified from any tax reduction or exemption and is liable to an additional import regulatory tax of at least 10 percent of the combined total of the original cost of the item plus insurance and shipping charges. The foreign trade departments involved will have to bear 40 percent of the regulatory tax, and their licenses may be revoked.

This regulation is mainly applicable to the following products: numerically controlled machine tools [as published], microcomputers, program-controlled digital switchboards, and similar items.

### Beijing To Purchase More Advanced Foreign Equipment

OW0612043692 Beijing XINHUA Domestic Service in Chinese 0911 GMT 4 Dec 92

[By reporter Zhang Yi (1728 3015)]

[Text] Beijing, 4 Dec (XINHUA)—Speaking at a meeting about consignment of imported machinery parts, Gu Yongjiang, vice minister of foreign economic relations and trade [MOFERT], said that along with its economic development, China will continue to import more advanced technology and equipment from foreign countries.

The meeting was sponsored by the China National Machinery Import and Export Corporation.

Gu Yongjiang spoke highly of the corporation's initiative in establishing the business of selling imported parts, saying that the business is essential after imported machinery and equipment have been sold.

Ever since the corporation started to sell imported parts in 1980, it has been selling machinery and auto parts manufactured by 59 firms in 11 countries—such as Hino, Mitsubishi, and Isuzu of Japan; Caterpillar of the United States; Volga of Russia; and Benz of Germany; as well as manufacturers in Sweden, Denmark, and Italy—in over 180 stations, which also offer maintenance and other technical services. Its sales have reached 1.48 billion yuan since then.

### Economic Growth Promotes Technology Trade Increase

HK0712040992 Beijing CHINA DAILY in English  
7 Dec 92 p 2

[By staff reporter Wang Yong: "Economic Showing Stimulates Tech Trade"]

[Text] China's technology trade has increased this year due to faster growth of the national economy.

Up to October, China signed 236 technology import contracts worth \$5.2 billion and 170 export contracts worth \$1.4 billion, according to the Ministry of Foreign Economic Relations and Trade (Mofert).

Liu Hu, director general of the Technology Trade Department of Mofert, attributed the hefty increase in imports to the nation's need to develop its petrochemical, electronics, energy, steel and aerospace industries.

"We have come up with a package of preferential treatment to encourage the import of technology from overseas," he told China Daily. He declined to give details.

The January-October import figure hinted at the possibility the whole year's import volume might equal the record high of \$6.8 billion in 1978, when China was in the midst of a buying spree.

Liu pointed out technological items will make up a higher proportion of China's import goal of \$350 billion for 1991-95 than originally expected.

More favourable conditions have been provided by China's forging of import links with a number of new partners, adding to its list of traditional suppliers, who are mainly developed industrial countries.

Liu said the establishment of diplomatic relations with South Korea and Israel has created a healthy momentum in the technology trade.

Analysts say the two countries are strong in the petrochemical, machinery and automobile sectors, as well as in agriculture.

"Our global-presence strategy covers not only importing, but exporting as well," he said.

In a key deal, China sold an equipment system for the production of floated glass earlier this year to Poland, the first such deal China has struck with the European market.

China's traditional market for manufactured equipment export has been with the Southeast Asian countries.

In the past, Europe, the United States and a number of other developed nations have mainly absorbed China's patents, franchised technology and software, Liu said.

"Equipment systems generate more foreign exchange for us because they are highly value-added," he explained.

China mainly exports power stations, building materials, medical equipment and steel products as well as certain high-tech items.

Liu forecast the country's total export of technology by the end of this year will surpass \$1.5 billion, as compared to \$1.27 billion for 1991.

"The export will see an upsurge next year as we continue to pry open new markets," he predicted.

China will hold an international technology trade fair in Shanghai next September.

"We expect to have more high-technology and equipment systems available for export in the future. In the past we sold mainly traditional technology," he said.

Analysts say the country's export of technology, though smaller in volume than for imports, will grow faster than the latter in the years to come.

### State To Abolish Import-Export Licence Categories

HK0712074192 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1052 GMT 6 Dec 92

[Text] Beijing, 6 Dec (ZHONGGUO TONGXUN SHE)—According to an authoritative source, China has decided to abolish in the near future category two

commodity licenses issued by specially appointed Ministry of Foreign Economic Relations and Trade officials based in various provinces and cities as well as category three commodity licenses issued by the different provincial and city economic and trade departments and bureaus.

This means that China will lift all restrictions on the import and export of commodities under these two categories, but the import and export of category one commodities under the direct management of the Ministry of Foreign Economic Relations and Trade will continue to be subject to license control.

Observers here believe that, in making this decision, China was seeking to make its foreign trade system conform more closely to the rules and regulations of the General Agreement on Trade and Tariffs, which require the abolition of nontariff trade barriers.

Reports have indicated that 121 export commodities fall under category two, which include meat products, textiles, nonferrous metals, steel, Chinese medicine, minerals, and petrochemical products; while 3,000 export commodities fall under category three, which include local products, minerals, and petrochemical products.

#### **Renminbi's U.S. Dollar Exchange Rate To Be Fixed**

*HK0612072092 Hong Kong MING PAO in Chinese 6 Dec 92 p 24*

[Report: "It Is Alleged That the Renminbi's Market Exchange Rate for U.S. Dollars Has Been Set at 10:1.1 for Next Year"]

[Text] An authoritative Beijing source has revealed that the market-regulated exchange rate of renminbi for U.S. dollars, which is to become effective next year, has been initially set at 10:1. In the meantime, export items from categories one and two that are currently subject to state unified price control will be reduced from more than 30 to more than 10. The State Planning Commission will also cut output quotas by one-third for these products, which are directly regulated by the commission under the state plan. The Ministry of Finance will also gradually introduce some reform measures regarding finance and taxation.

The authoritative Beijing source told this reporter that it has basically been decided that the current regulation system, which is to put the renminbi under market regulation, will come into effect around the time of the people's congress session next year. The authorities have now initially set the U.S. dollar exchange rate for renminbi as a major foreign currency after the market regulation system has been introduced.

Because this is only a start and the authorities want to prevent an exchange rate landslide—as happened with the ruble's U.S. dollar exchange rate after the dissolution of the Soviet Union—the renminbi's exchange rate for

U.S. dollars after the introduction of the market regulation system has been set at approximately 10:1. If any further adjustment is necessary, the exchange rate will then be changed to about 15 yuan to the dollar. In any case, the renminbi exchange rate will not fall as low as 20 to 1 at the initial stage.

The same source said this decision has not been widely publicized in China, and, therefore, caution must be used before any action is taken. Some people in China have noted that the present exchange rate between U.S. dollars and renminbi is basically 1 to 7 or more.

Meanwhile, relevant sources have revealed that, from early next year onward, the number of export items in categories one and two (essentially major items which earn foreign exchange for the state) that are currently subject to state unified price control will be reduced from more than 30 to more than 10. By that time, the state will allow enterprises producing these items to set export prices on their own and put these exports under full market regulation. This will be a step toward the development of a market-regulated exchange rate system for the renminbi and the expansion of export trade as a source of foreign exchange.

#### **New Regulation on Foreign Exchange Earnings Use**

*HK0712132692 Hong Kong CHING CHI TAO PAO in Chinese No 45, 16 Nov 92 p 18*

[From the "China Economic News" column: "New Policy Outlined on Management of Foreign Exchange Earnings of Enterprises"]

[Text] The State Council's new regulations on the management of enterprises' foreign exchange earnings are as follows:

- Foreign exchange earnings from exports in excess of the planned volume can be retained by the enterprise at a ratio of 70 percent. The retained sum may be paid quarterly and balanced at the end of the year.
- The costs in terms of foreign exchange outside the plans shall be calculated after tax payment.
- The spending of the foreign exchange earnings retained by the said ratio is not restricted by the exchange spending quotas of the province or municipality in which the enterprise is situated.
- The retained foreign exchange may be spent in importing profitable commodities for domestic sale.
- The policy of profit sharing by the said ratio is mainly applicable to localities, but specialized companies may also take advantage of it.
- The foreign exchange earnings retained by localities may be spent as circulating funds for importing materials for processing purposes.

—Commodities with large stocks may enter barter trade to achieve import balance, and the enterprises concerned shall assume sole responsibility for profits and losses.

### **Auditors To Intensify Scrutiny of Joint Ventures**

*HK0612040292 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 6 Dec 92 p 1*

[By Liu Weiling: "Joint Ventures To Come Under Closer Scrutiny"]

[Text] State auditors plan to step up their scrutiny of Sino-foreign joint ventures in an effort to curb illegal practices.

Auditors also plan to take a closer look at how foreign loans are being used in China.

The moves are designed to improve protection of China's interests as the nation increases its ties with the outside world, according to Xu Yudi, Director of the State Auditing Administration's foreign funds application audit department.

Xu said the increased auditing aims to root out the following practices:

- Some foreign investors provide outdated equipment as part of their promised investment.
- Tax evasion by foreign investors has increased. The auditing will attempt to uncover more cases and encourage compliance.
- Some foreign investors in joint ventures artificially raise the prices of imported raw materials and lower the price for exported products.

This results in the joint ventures making little or no profit while the wallets of foreign investors grow fat, officials say. Some Chinese enterprises and individuals have transferred their money to foreign countries, then come back to invest in China in an attempt to enjoy preferential policies reserved for foreign investors.

"If such gimmicks can not be controlled, the country will no doubt be hurt," Xu said.

Auditing of joint ventures this year has helped uncover some improper practices by joint ventures or helped the ventures improve their efficiency, Xu said.

But because money for the audits is short, China can not investigate every Sino-foreign joint venture on its soil.

China now has 70,000 government auditors, but only a small proportion of these are schooled in international auditing principles and know enough English to properly check the books of foreign-funded companies and investigate the use of foreign loans, said Xu.

At least 200 large and medium-sized Sino-foreign joint ventures will come under the added scrutiny of auditing departments across the country next year, he said.

In 1992, the Auditing Administration also asked local auditing institutions to examine 200 foreign-invested enterprises.

Xu said the number of Sino-foreign joint ventures actually audited this year far outstripped the goal.

The Auditing Administration hopes auditing these enterprises will help China avoid squandering capital from abroad and detect bogus and will-conceived ideas from foreign investors that could hurt China.

Xu said the increased auditing also should help reveal problems with introducing foreign investment and point the way toward solutions.

Although joint ventures audited this year represent only a small proportion of all the foreign-funded enterprises in China, the audits can be useful in uncovering widespread problems that crop up, Xu said.

As for foreign loans used in China, Xu said loans from the World Bank and other international financial organizations have been audited.

About \$1 billion worth of such loans were audited in 1991 and 1992. Xu said the figure may increase in the coming years since Western countries have lifted restrictions on making loans to China.

Checking on these loans will ensure that foreign investment is used efficiently, rationally and legally, Xu said.

### **Government To Legalize Foreign Cigarette Imports**

*OW0612035492 Beijing XINHUA in English 0324 GMT 6 Dec 92*

[Text] Beijing, December 6 (XINHUA)—China plans to take its first step in legalizing the import of foreign cigarettes which up to now are brought into the country largely through smuggling.

Construction of a tobacco and cigarette wholesale market for domestic tobacco products, the first of its kind in China, is under way in Beijing.

If all goes well there, a second market would be established in Shanghai's Pudong New Area for both domestic and foreign cigarettes.

The wholesale markets represent the government's attempt to foster a market mechanism for the domestic tobacco industry to grow strong enough to compete with foreign rivals, said Li Fuchen, director of the State Tobacco Monopoly Administration's General Office.

Li said that the Beijing wholesale market is expected to go into operation in the latter half of 1993. Regulations are being drafted to ensure effective management.

Li said the Chinese tobacco industry is being restructured according to the principles of supply and demand. However, the state will still monopolize production. In addition, high taxes will still be levied.

Cigarette smuggling has been prevalent in recent years because of potentially big profits.

In fact, the government estimates that 60 percent of all goods smuggled into China are cigarettes.

China's tobacco industry has recently readjusted its Eighth Five-Year Plan (1991-95) to improve the quality and limit the production of tobacco and cigarettes.

The industry is expected to earn profits and taxes of 175 billion yuan (28.9 billion U.S. dollars) during the 1991-95 period.

#### **Bank of China To Return to European Bond Markets**

*HK0612082492 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 6 Dec 92 p 3*

[By Ren Kan: "Bank of China to Retry Euro-Bond Market"]

[Text] The Bank of China expects to return to European bond markets next year after a five-year absence.

And the bank is also contemplating a go at the New York bond market.

"Our bank can't limit itself to bond markets in one region and ignore important financial markets in other parts of the world," said Huo Tuanjie, an official with the Bank of China.

Since the bank issued its first overseas bonds in Tokyo in 1984, it has floated more than 74 percent of its overseas bonds in Japan and Singapore. The Bank of China is the nation's major foreign exchange bank. It is the prime, though not only, issuer of overseas bonds.

The bank tested the European bond market in 1987 when it issued \$733 million worth of bonds in Frankfurt and London. The bank hasn't been back to Europe since then.

Huo said some European banks have urged the bank to again issue bonds in Europe. Some indicated they would like to be the bank's underwriters.

Huo said the Bank of China is considering London or Frankfurt as the place to issue Euro-dollar bonds next year.

She did not tell how much her bank is expected to issue, but analysts believe it would be about \$150 to \$200 million, which is an average size.

To increase its reputation and influence in the world financial market, Huo said, the bank should go back to the European market and explore others elsewhere.

If the Bank of China is absent from the European bond markets for too long, she warned, "investors there will gradually forget about us."

And that could lead to difficulties and additional costs in issuing bonds.

Also, she said, diversifying the venues where the Bank of China issues bonds would add breadth to the bank's debt structure and help hedge against risk from fluctuating interest rates.

And it could promote competition among world financial institutions that would help lower the costs of issuing bonds.

Huo said the bank's plan to expand its issuance of bonds overseas is partly designed to help the country gather needed hard currency to help fuel the nation's economic expansion.

"As the country's major foreign exchange bank," Huo said, "the Bank of China has a duty to collect funds to support China's construction."

She said the bank is considering becoming the lead manager of syndicated underwriters for Chinese firms that are planning to issue bonds in overseas markets. But Huo said she doesn't expect this to happen soon.

She said world financial markets are currently favourable to China's issuing overseas bonds. She said U.S. interest rates are low and expected to remain low for the near future.

At present, the U.S. dollar Libor (London Inter-Bank Offer Rate) is 4 percent, which compares with 15 to 18 percent 12 years ago when inflation was at its peak.

Over the past eight years, the bank has floated \$2.85 billion worth of bonds abroad.

#### **'Another Hong Kong' 'Urgently' Needed**

*HK0712094992 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0947 GMT 4 Dec 92*

[By Shih Chuan (4258 1557) ]

[Text] Deng Xiaoping's concept of building several "Hong Kongs" in China's hinterland should be regarded as one with strategic foresight, standing high and seeing far. Taking a comprehensive view of the economic situation on the mainland, we find that building another "Hong Kong" has become an increasingly pressing matter that needs to be placed on the agenda of Beijing's supreme decisionmaking tier.

With its first-rate port and highly open free-port policy, Hong Kong became an "offshore flagship" for the mainland's opening up, and has made tremendous contributions to the mainland's foreign economic relations and trade. Take foreign trade for example; Hong Kong is

actually the mainland's largest port. However, the restoration of the mainland's GATT membership will inevitably turn Hong Kong Port, which is already operating under seriously overloaded conditions, into a "bottleneck" for the mainland, should it continue to rely on Hong Kong for exit to the sea.

The "bottleneck" phenomenon exists in the mainland's exit to the sea, and a blockage in its passage to the world on land has begun to surface. Data shows that the mainland's trade with Eastern Europe and the CIS has greatly increased in recent years; what is more, the number of vehicles stranded on the borders at the two passes at Heilongjiang's Suifen River and Inner Mongolia's Manzhouli, which lead to the continental bridge of the Eurasian Railway inside CIS territories, is becoming increasingly serious with each passing day, while affecting the trade development between the mainland and the CIS, and even European countries.

Although the movement of freight has begun on the second Eurasian continental bridge, between Jiangsu's Lianyungang and Rotterdam, Europe's entrepot trade center, the demand-and-supply contradiction in freight transportation is not likely to be eased in the near future.

There is a pressing demand for outward-bound transportation, and the situation in domestic sea, land, and air transportation is tense, resulting in a great contradiction in the mainland's high-rate economic growth. In Guangdong, although the double-track Hengyang-Guangzhou railway fulfilled the designed standard of 20 million tons of freight a year four years ahead of schedule in 1991, Pingshi Port's loading and unloading capacity can only meet one-third of the demand. In the first six months of this year, the volume of ocean shipping broke through 20 million tons for the first time in history; however, because of the shortcomings of Guangdong's dockyards, approximately 2 million tons of coal were piled up at Qinghuangdao's dockyards waiting to be conveyed to the south. It is expected that with the restoration of China's GATT membership, the contradiction between fast-growing foreign trade and the failure in transportation capabilities will continue to grow.

On the other hand, the fierce competition between the mainland and other developing countries and regions also indicates the need for the mainland to build another "Hong Kong." The economic competition between developing countries and regions finds focal expression in the competition to attract foreign investment. The nature of foreign capital to pursue high profits dictates a flow to those areas with higher economic growth rates and implementation of highly opening market economic policy. The Asia-Pacific area and the mainland's coastal areas, especially Guangdong Province, are developing areas with high economic growth rates, vying to open up to attract foreign investment. Although Vietnam is comparatively backward economically, it enjoys a very strong momentum for development, and is likely to

become the beneficiary selected by the West out of their political needs, hence, a strong opponent to the mainland in competition.

This being the case, whether from the strategic angle of foreign trade development or from the angle of the need to attract foreign investment, especially in the international competition in attracting international capital floating in Hong Kong, the mainland has an urgent need to build another "Hong Kong" as quickly as possible. At the same time, the condition of a serious stalemate in the mainland's port economy also urgently calls for the building of another "Hong Kong."

#### Price Control Official on Relaxed Price Policy

HK0712061392 Hong Kong CHING CHI TAO PAO in Chinese No 45, 16 Nov 92 p 19

[Unattributed report from the "China Economic News" column: "Prices of All Products To Be Rationalized Within Five Years"]

[Text] Recently, a State Administration of Commodity Prices official said that China will rationalize the prices of all products within five years and will continue to narrow the scope of state-controlled prices, especially the prices of production means. The price controls over some agricultural products which are still effective at the moment will be gradually abolished in the near future and will be subjected to market regulation.

The official said: The number of commodities subject to state price controls has dropped from 737 in 1991 to today's 89, a mere 20 percent of all the commodity categories of the country. A total of 571 commodities are priced at the discretion of enterprises, including oil as raw material, petroleum asphalt, sodium carbonate, aluminium, lead, some steel products, and machines and electronic products. The price control authorities of provinces, autonomous regions, and municipalities have pricing authority over 22 commodities. The state has also scrapped the ceiling for ex-factory or sales prices of such production means outside state plans as crude oil, steel products, pig iron, copper, aluminium, zinc, tin, and caustic soda.

Since market-regulated pricing was practiced, the price hikes in 35 major cities nationwide have exceeded 10 percent. The product mix and industrial structure of China's domestic enterprises are undergoing some positive changes and the market mechanism is also playing a positive role in guiding the rational disposition of resources.

This official said: After price controls are scrapped, the government will continue to execute appropriate guidance, supervision, and management over market prices so as to prevent all kinds of illegal price monopoly, hoarding and cornering, and driving up of prices. In the meantime, the state will continue to control the prices of some important commodities that concern the national economy and the people's livelihood, as well as gas.

water, electricity, communications, and so on that concern the daily life of the people.

### New Rules To Minimize Government's Business Role

HK0412121092 Beijing CHINA DAILY in English  
4 Dec 92 p 1

[By staff reporter Wang Yong: "Nation To Use Global Accounting Standards"]

[Text] China has announced a package of market-oriented accounting regulations that will minimize the government's role and responsibilities in the business activities of enterprises.

A top finance official described the move as giving a shot in the arm to domestic enterprises scrambling to trim losses caused in part by rigid central control.

Lui Zhongli, China's new Minister of Finance, told a press conference in Beijing yesterday that the new rules on financial activities and accounting norms—applicable to all enterprises in China—will give more authority to enterprises in handling their capital resources.

The new regulations was issued on Monday and will take effect as of July next year, he said.

"The State (which will no longer directly control the earnings of enterprises) may suffer a substantial loss of revenue in the short run," he said.

"We're paying a price for the future. The long-term gains will be better," he pointed out.

Liu called the new regulations a landmark reform in the full institution of a market economy.

The rules make changes in the following five areas by:

- Unifying the accounting norms which have until now varied in accordance with different types of enterprises, thus creating a ground for fair competition;
- Allowing domestic enterprises to speed up their depreciation pace to improve technological upgrading;
- Adopting a "manufacturing cost method" of accounting under which all other costs related to administration and sales and so on are excluded from production costs;
- Introducing a system of capital preservation to help cut financial losses;
- Adopting the universal equation under which "capital is equal to liabilities and owner's equity."

Related to the last point, the new accounting system will consist of a balance sheet, income statement and statement of changes in financial positions.

This practice will mesh China's accounting system with international standards.

Liu said China will give more play to chartered public accountants (CPAs) as a means to reduce bureaucratic interference in enterprises.

He predicted that China will have 30,000 to 50,000 such accountants by 1995 to help carry out the new rules properly.

He added that overseas accountants are welcome to promote the accounting business in the country.

As for curbing the State budgetary deficit, which he called his major task when he assumed office earlier this year, he admitted the completion of this task is a long way off because of the huge deficit.

"But we are confident that the deficit this year will not cross the line that the government has earlier stipulated," he said.

### 'Red-Head Documents' Targeted for Revision, Repeal

HK0412124492 Beijing CHINA DAILY in English  
4 Dec 92 p 2

[By staff reporter Zhang Yu'an: "'Red-Head Documents' To Get Sorting for Revision or Repeal"]

[Text] China is inaugurating a massive campaign nationwide to sort out "red-head documents" that go against the Rules on Restructuring the Operating Mechanism of State-owned Industrial Enterprises, a senior official with the State Council's Economic and Trade Office said yesterday.

The rules, effective in July this year, are designed to help China's 3,518 large enterprises, 94.2 percent of which are State-owned, to enjoy complete autonomy in investment, product pricing, personnel and employment practices, compensation and foreign trade so that they can survive in the dynamic conditions of a socialist market economy after four decades of a highly centralized, planned economy.

"Red-head documents," namely governmental documents with large characters printed in red for headings, ordinarily contain the rules enterprises must obey in most of their production, pricing and trade procedures.

But many of those rules have had a restraining effect, especially on large, State-owned enterprises, and thus have become obstacles to development according the market forces. Those rules should be reviewed for either abolition or revision.

The official said that the campaign is divided into three phases. The first phase runs until the end of this year, when local governments and State departments should have sorted out their "red-head documents" to find those that are contrary to the Rules on Restructuring the

**Operating Mechanism of State-owned Industrial Enterprises.** The second phase will focus on those documents that go against detailed methods of applying the new rules. And the third phase will amount to a further document review after the reform of government organizations is complete and their functions and responsibilities are set.

At the moment, State departments are busy drafting 25 regulations associated with the new rules.

So far, the State Administration of Commodity Prices has abolished 23 documents and 13 administrative rules issued during the 1989-91 austerity programme; the Ministry of Machine-Building and Electronics Industry has turned up 35 documents that are contrary to the new rules; the Ministry of Metallurgical Industry has reviewed more than 1,000 documents, of which 94 should be abolished and 145 should be revised; and the Ministry of the Textile Industry has abolished 31 documents, the official said.

#### **Textiles See Rising Sales, Falling Efficiency**

*HK0512052192 Beijing CHINA DAILY in English  
5 Dec 92 p 2*

[By staff reporter Liu Weiling: "Textile Sales Up, Efficiency Down"]

[Text] There are signs that China's textile industry is turning around this year, as both domestic sales and export growth have posted increases.

However, on the down side, economic efficiency continued to decline—although at a slower pace.

Thanks to efforts by enterprises to develop more varieties and high-grade products to match improved living standards in China, sales of textile products in the domestic market registered a sharp increase this year.

During the January-September period, the retail sales volume of garment products topped 112 billion yuan (\$20.4 billion), 1-percent increase from the same period last year, according to Wang Zengjing, Vice-Minister of the Textile Industry.

In 1991, sales of garment products topped 135.6 billion yuan (\$24.7 billion), accounting for 16.45 percent of the nation's total consumer-goods sales.

Industry exports also posted record increases this year. During the first nine months, exports of textile products

including garments generated \$15.8 billion, compared with the 1991 year-end figure of \$16.7 billion.

The success was attributed to the industry's efforts to introduce technical renovation, in which advanced technology and equipment have been introduced and outdated machines phased out.

About 1.06 million spindles that have exceeded their normal lifespan have been dismantled this year, Wang said.

However, the low economic efficiency, overproduction and overstocking are still haunting the industry's development.

Only about 91 percent of the industry's products are on the market, while the rest are held in stockpiles.

And 40 percent of State-owned textile enterprises in China's 39 big-and medium-sized cities suffered losses in September, Wang said.

Total taxes and profits realized by the industry in the first nine months was 2.57 billion yuan (\$767 million), a 14.1 percent decrease from the same period last year.

Wang urged enterprises to be market-oriented and gear their production to the market demand.

He put technical renovation and the development of high-tech products as the focal point of the industry next year.

The revamping of outdated machines and equipment in the industry must be advanced to "a new stage," Wang said.

Investment will go mainly to introduce technology and equipment to produce chemical fibres and their raw materials.

This year the textile industry has been busy introducing advanced foreign technology and equipment to arm the industry, which has been plagued by outdated machinery for years.

Wang said about 72 percent of the industry's 18-19 billion yuan (\$3.3-\$3.5 billion) total investment in infrastructure construction this year has gone to technical renovation.

Actually the ministry has attached a great deal of importance to technical upgrading since 1985.

**Central-South Region****Guangdong Secretary on Agricultural System**

HK0712110692 Guangzhou Guangdong People's Radio Network in Mandarin 0400 GMT 26 Nov 92

[Text] Yesterday morning, provincial party Secretary Xie Fei met with a delegation of the Awajishima Farmers' Cooperative Association of Hyogo Prefecture, headed by Masatsugu Shinomura. Xie Fei said at the meeting: Building a socialist service system is a very important task for realizing agricultural modernization.

Xie Fei said: One of the important tasks in the pursuit of agricultural modernization is to build a socialized service system. Our province has not yet built a good socialized service system. Many things are still being studied and perfected in the process of implementation. But one thing is clear: The building of our socialized agricultural service system revolves around a socialist market economy. This is the principle upon which the service system fulfills its role. The Japanese guests have come here to present us with the farmers' cooperative association's experience in the formation of an integrated system for the procurement of supplies, production, and marketing, which farmers in our province would do well to learn.

After the yesterday's meeting ended, the Japanese guests hurried to Foshan city to make reports. After that they will visit Shunde, Shenzhen, and other places to exchange experiences.

**Henan Secretary Urges Vigilence Against Crime**

HK0712064692 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 5 Nov 92

[Text] At yesterday's provincial work meeting of deputy secretaries of city and prefectural CPC committees in charge of judicial and procuratorial work, provincial party Secretary [title as received] Li Changchun stressed that the party committees and governments at various levels must make further efforts to do a good job in maintaining Henan's social and political stability and create a favorable environment for reform, opening up, and economic construction.

Lin Yinghai, deputy secretary of the provincial CPC committee; (Zheng Zhongmao) and Hu Tiyun, members of the provincial CPC committee standing committee; Zhang Zhigang, vice chairman of the provincial people's congress and secretary of the provincial CPC committee judicial and procuratorial commission; deputy party secretaries of all cities and prefectures in charge of judicial and procuratorial work; and comrades in charge of provincial public security organs, procuratorial organs, court, and judicial organs attended.

At the meeting, Lin Yinghai gave an account of the social order in this province since the beginning of this year

and offered specific suggestions on how to take substantial and effective measures to safeguard Henan's social and political stability.

He said: Since the beginning of this year, various forms of special campaigns on different scales have been conducted throughout the province. A group of heinous criminals who harmed society and sabotaged reform, opening up, and economic construction have been punished and handled according to the law. In the meantime, efforts have been made to strengthen the comprehensive maintenance of social order and check the occurrence of crimes. When the 14th CPC National Congress was in session, not a single case of jeopardizing the security of the Congress occurred. When some major economic, trade, cultural, and sports events were being held in the province, social order was relatively good, which was an effective contribution to economic construction. We must be soberly aware, however, that Henan still has many problems with its social order. The party committees, governments, and judicial and procuratorial departments at various levels must pay attention to them and take substantial and effective measures to solve them.

Li Changchun said in his speech: In the new historical period, we must have a full and clear understanding of the principle of "doing two types of work simultaneously with equal attention." General Secretary Jiang Zemin pointed out in his speech at the 14th party congress: Keeping the basic line unchanged and maintaining social and political stability will ensure uninterrupted and victorious progress. This says enough about the importance of maintaining social and political stability in the course of building socialism with Chinese characteristics. In setting up the new system of socialist market economy, we should study new circumstances and new problems, strengthen judicial and procuratorial work, offer countermeasures, and strive to create a macroenvironment in which the public live and work in peace and contentment.

Comrade Li Changchun stressed: The problem with social order is still an issue of great public concern. We must keep a firm hold of the power of the people's democratic dictatorship and resolutely and mercilessly punish train robbers, highwaymen, and criminal gangs, which the public detest. In the meantime, it is necessary to do a good job in the comprehensive maintenance of social order and the unmasking and removal of destabilizing factors. Leaders at various levels must attend to major problems themselves and set deadlines for resolving them. It is necessary to, in conjunction with socialist education and the building of moderately prosperous villages, do fundamental work well at the grassroots level to safeguard stability in rural areas.

Li Changchun also demanded that party committees and governments at various levels strengthen leadership over judicial and procuratorial work; pay attention to and support the building of judicial and procuratorial contingent in areas of politics, work, and livelihood; and

create conditions for judicial and procuratorial organs to guarantee social and political stability in the new era, so that they can better serve economic construction and protect reform and opening up.

### Southwest Region

#### **Sichuan To Convert Military Airport to Civil Use** *HK0712102392 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1010 GMT 24 Nov 92*

[Text] Hong Kong 24 Nov (ZHONGGUO TONGXUN SHE)—A large airplane manufacturing factory in Chengdu is preparing to build a Chengdu civil aviation company by utilizing a military test flight airport for fighter planes, an official from Chengdu, Sichuan, disclosed at a news conference held in Hong Kong. Foreign businessmen are invited to invest in the project, which involves some 70 million yuan.

At a news conference held in Hong Kong this afternoon, Wang Rongxuan [3769 2837 6513], honorary chairman of the Chinese Association for Overseas Exchanges, Chengdu branch, indicated that the Chengdu Airplane Manufacturing Factory, which is making preparations to found a local civil aviation company, is the same company that produces McDonnell Douglas engines in cooperation with the McDonnell Douglas Corporation. The factory used to produce fighter planes, boasting a large military test-flight airport. With the recent disarmament and changes in the world situation, the factory has cut back its output of military planes by a wide margin, and its work with McDonnell Douglas no longer requires the test airport; consequently, the airport is lying idle. To improve the difficult flight conditions in Sichuan and southwest China, the factory has decided to make preparations to build a local civil aviation company by utilizing the airport. According to Wang Rongxuan, the project involves approximately 70 million yuan, of which approximately 30 million yuan is for construction of the airport building, approximately 15 million yuan for reconstructing the runway, and the rest will go to purchasing or leasing airliners.

Wang Rongxuan stated that foreign investment was invited in the preparation and founding of the Chengdu Civil Aviation Company. Some Hong Kong and foreign businessmen have already shown interest in the project, and related talks are underway. A preparatory organization has been set up, and application for air routes has been submitted to the central authorities. When the said company is founded, direct flights to Hong Kong will be established.

#### **Tibet Holds Meeting on Party Constitution** *OW0512145192 Lhasa Tibet Television Network in Mandarin 1200 GMT 4 Dec 92*

[From the "Tibet News" program]

[Text] On the morning of 4 December, a rally was ceremoniously held at the Great Hall of the People in Lhasa to mark the 10th anniversary of the promulgation of the PRC Constitution. Party and government leaders of the autonomous region, including Chen Kuiyuan, Pagbalha Geleg Namgyai, Raidi, Basang, Danzim, (Gen Quanli), Chen Hanchang, (Cao Xu), (Piaoqen Lozong Gyaincain), Pudoje, Jangzhong Zhaxi Doje, Samding Doje Pamo, (Dexin Qizhen), Wang Guangxi, Laba Oingcuo, Lhamin Soinam Lhunzhub, Huokang Sulong Bianba, Tangmai Gongjue Baimu, Gonbasar Tubdanjigzha, Qaba Gaisang Wangdui, Duoqizha Renzengqinmo Jiangbailuosang, and (Tao Changlian), attended the meeting. Pagbalha Geleg Namgyai, vice chairman of Tibet Autonomous Regional People's Congress Standing Committee, presided over the meeting.

The meeting opened amid the solemn strains of the national anthem. Autonomous regional party Secretary Chen Kuiyuan delivered a speech calling for efforts to study and implement the constitution and achieve greater victories in reform and opening up to the outside world as well as in the modernization drive in our region. While pointing out the significance of the promulgation and implementation of the current constitution, and the achievements made in implementing the constitution in the past decade, Comrade Chen Kuiyuan said: The efforts to develop a socialist democracy and improve a socialist legal system constitute an important national task stipulated in the constitution; they are also important in ensuring long-term peace and stability in our region. He said: Since the democratic reform of Tibet, we have carried out democratic elections and established democratic administrations at various levels. In 1965, the Tibet Autonomous Region was formed, making it possible for Tibet to realize its autonomy as a democratic region as enshrined in the constitution. Since the implementation of the new Constitution in 1982, efforts to establish democracy and a legal system have entered a new historical period. Currently the ethnic minority deputies to our regional people's congress, predominantly of the Zang nationality, account for more than 95 percent of county level deputies of the people's congress, while minorities account for more than 82 percent of deputies at regional level. At the same time, cadres of the Zang nationality account for 67 percent of the total number in our region. Over the past 10 years, people's congresses at all levels and their standing committees have effectively exercised their powers in legislation, supervision, and making appointments and removals. Regulations governing Tibet's autonomy are being formulated. The formulation and implementation of a series of laws and regulations for various localities have provided an important guarantee for the Tibetan people to exercise their various democratic rights and develop their economic and cultural undertakings. The system of our regional people's congress and the system of multi-party cooperation under the leadership of the Communist Party are being improved and progressing well day by day. Relations between the Communist Party and the

democratic parties—as well as relations with other patriotic personages which are marked by their long-term coexistence, mutual supervision, utter devotion to each other, and sharing of weal and woe—have become even closer. The party has duly implemented its policies on religion and establishing a united front among the various nationalities. Never before have the people in Tibet had such good times as today, fully and extensively enjoying democracy, freedom, and human rights. In recent years a handful of international divisive elements have reversed right and wrong; mixed up black and white; and vilified our country's socialist system, distorted Tibet's history and facts, glorified the serfdom system of ancient Tibet, and lauded and supported the representative personalities who are adamantly opposed to the people's interests, all in a wishful bid to restore rule by the three major feudal lords and the privileges of colonialism in Tibet, which are openly inimicable to the people of Tibet. It is the fundamental interest of the Tibetan people to safeguard the unification of the motherland, to strengthen the unity among the nationalities, to build a new Tibet, and to create happy and prosperous lives for the people. It is the common aspirations and historic choice of the two million people of Tibet. These can never be changed by any hostile forces and splittists.

Comrade Chen Kuiyuan said: Concentrating on achieving socialist modernization is the fundamental mission of the state set by the Constitution, and is also the fundamental way of realizing common development and common prosperity among various nationalities. Since the promulgation of the current Constitution, the people of Tibet have conscientiously implemented the central authorities' policies toward Tibet, have worked hard to eliminate interference caused by disturbances and turmoil created by hostile forces, and have striven to build a modern socialist economy by proceeding from reality in Tibet. Over the past 10 years, especially in the past few years, the achievements we have scored have caught people's attention.

Comrade Chen Kuiyuan said: By affirming Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the 14th CPC National Congress has helped our party and state lay a theoretical foundation for realizing socialist modernization. Following the congress guidelines, we should strive to increase our understanding of the spirit and provisions of the Constitution and work hard to build socialism with Chinese characteristics. In order to realize the grand objective set by the Constitution—fulfilling the four modernizations drive and building China into a highly civilized, democratic socialist country—and to carry out the ten major tasks of reform and development in the 1990's set by the 14th CPC National Congress, at present and in the coming period, we should strive to carry out the following tasks:

1. Guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, we should further emancipate our minds; change our way of thinking; do away with outdated and other impractical

concepts; overcome the tendency of following the beaten track and being content with things as they are; we must resolve the problem of erroneous thinking existing in leading organs and among leading cadres so as to remove all obstacles hampering reform and opening to the outside world; we should be good at using our brains, at digesting and absorbing experiences, and at boldly emancipating our minds; we should overcome the theory that backwardness is something unavoidable, dare to face reality, and advance boldly; we should understand this problem with an awareness of our mission and a high sense of urgency; overcome the tendency to overestimate ourselves and hold fast to established ideas; keep the whole country and our grand objective at the end of this century in view; and inspire ourselves and carry forward the reform spirit of daring to blaze new trails and take risks.

2. Aiming at building a socialist market economy, we should further intensify reform and opening to the outside world and accelerate economic development in our region. To establish a socialist market economy in Tibet in accordance with the 14th CPC National Congress guidelines and in light of the reality in our region, we must transform the operating mechanisms of state-run enterprises to make them legal entities responsible for their own operation, profits and losses, development, and for their self-regulation—to make them the most competitive enterprises—increase their efficiency in markets, and enable them to develop competitively; we should cultivate a market system by establishing and developing various types of commodity markets; we should accelerate the transformation of the functions of the government and deepen the reform of the distribution system and socialist insurance system.

3. On the basis of the Constitution, we should improve democracy and the legal system, and promote the building of two spiritual civilizations. We should further improve the system of people's congresses and enhance the functions of people's congresses and their standing committees in legislation, appointing and removing officials, and supervision—so as to enable people's deputies to play their role still better. We should perfect the system of multiparty cooperation and political consultation led by the CPC, consolidate and develop the patriotic united front in the new period, and give full scope to the role of the Chinese People's Political Consultative Conference in political consultation and democratic supervision. We should strengthen consultation with patriotic personnel and further consolidate the alliance between party and nonparty people; we should step up the drafting of autonomy regulations for the Tibet Autonomous Region and laws and regulations for ensuring reform and opening to the outside world, strengthening macroeconomic management, and standardizing microeconomic activities; we should strictly abide by the law, strengthen supervision over law enforcement, and rectify the phenomenon that laws are not strictly observed. We should improve education for spreading legal knowledge and enhance the cadres' and

masses' awareness of democracy and concept of laws. The party has led the people in creating the Constitution and laws; it also leads the people in observing the Constitution and laws. The party must carry out its activities within the limits of the Constitution and laws. We should continue to study the Constitution, respect it, implement it, and safeguard its authority.

Comrade Chen Kuiyuan said: Upholding the four cardinal principles is the general guiding thought of the current Constitution. We must adhere to Marxism-Leninism-Mao Zedong Thought and arm the people with the theory of building socialism with Chinese characteristics so that they will more resolutely adhere to and safeguard the socialist system. We must protect the people, attack the enemy, and maintain social order by using the people's democratic dictatorship as a tool; oppose splitism and retrogression; and ensure the smooth progress of reform, opening to the outside world, and economic development.

### North Region

#### Inner Mongolia's Port Development Noted

SK0712084692 *Hohhot NEIMENGGU RIBAO* in Chinese 26 Nov p 1

[By reporter Li You (2621 2589): "Promote the Advantages of Border Ports and Build an Eurasian Continental Bridge"]

[Text] Our region has given full play to regional advantages, built and opened up new ports in a planned manner, and increased the number of passages and windows for opening up to the outside world. As of to date, the whole region has opened up 16 railway, highway, water, and air transport ports of the first and second categories, thus initially forming a new pattern of multichannels and opening up to all directions.

So far, the region as a whole has opened up 10 ports of the first category, including the Eren and Manzhouli railway and highway and the Heishantou, Shiwei and Hohhot airports and six ports of the second categories including Erka in Manzhouli, Hulieyetu and Aershan. A multilayered new port pattern of opening to the outside world with various forms of transportation including railway, highway, water and air transport has been basically formed, enabling the region to become one of the country's regions with many ports.

To raise the utilization rate of ports and to make the region realistically become the forward position for opening to the outside world, our region has raised funds through various channels to accelerate the building of port infrastructure facilities. Since 1984, this region has successively allocated more than 90 million yuan for building stations and yards in Manzhouli and Eren ports

and has greatly raised the transfer and unloading capacities. During the past two years, the State Port Administrative Office, the Planning Commission, and the Ministry of Finance allocated nearly 20 million yuan for building port infrastructure facilities and other supporting facilities and for improving the conditions of ports so as to meet the needs of opening to the outside world.

The expansion of border ports has promoted the development of our region's international and regional trade as well as barter trade and nongovernmental trade. After the formal opening of the three Sino-Mongolian border ports of Arihashate, Zhuengadabuqi, and Ganqimaodao, 2,218.3 tons of goods were delivered in two weeks. From January to September, during border and regional trade, the total volume of import and export goods delivered through the two major land ports of Manzhouli and Eren reached some 1.55 million tons. According to the business statistics released by the regional economic commission, during the first nine months of this year, the total transport volume of imports and exports reached 1.086 million tons, and the total imports and exports of the whole region's border and barter trades were valued at 397.96 million Swiss francs, showing an increase of 41.7 and 46.46 percent respectively over the same period of the previous year.

### Northeast Region

#### Heilongjiang Foreign-Funded Enterprises Increase

SK0612100692 *Harbin Heilongjiang People's Radio Network* in 2200 Mandarin GMT 5 Dec 92

[Text] By the end of November, Harbin approved the establishment of 504 three-type foreign-funded enterprises that involve more than \$660 million of investments. Of that amount, foreign capital totals more than \$300 million. Of the enterprises newly established this year, those run exclusively with foreign investments have increased and accounted for 38.4 percent of the total. Projects whose investment is over \$1 million have increased to 76. Enterprises engaging in making machine building, foodstuffs, electronics, light industry, and medicine, have reached 229 and accounted for 71.6 percent of the total number of newly established ones this year.

#### Jilin Opens More Locally Owned Schools

SK0612070492 *Changchun Jilin People's Radio Network* in Mandarin 1030 GMT 5 Dec 92

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, our province has made faster progress in developing locally owned schools. By the end of 1991, 797 locally owned schools of various categories were established at all levels throughout the province and they had 131,600 students. They have trained more than 613,700 talented personnel of various professions at various levels. Of these personnel, more than 47,400 have the cultural standard of college, junior college, or

above. This figure is equal to the total number of students who graduate from 10 higher educational institutions in four years.

Since 1990, our province has legalized the establishment of schools run by collective groups and education administrative departments at all levels have put on their daily schedule the work of encouraging social forces to open schools. By regarding as a criterion the province's measures of encouraging social forces to open schools, the province has enhanced the management over the establishment of such schools and fostered the relatively perfect regulations and systems governing the establishment appraisal and the regular management, supervision, and inspection over such schools. Localities across the province have enforced in a planned manner the management over the establishment of such schools and brought under control in line with the plan the number of their classes and students. The province has also stipulated that only the education administrative department at the city level is authorized to issue the letter of appointment or reappointment to the teachers of such schools. This has ensured the quality of the establishment of such schools and promoted the healthy development of such school establishments.

On 5 December, the provincial education commission also commended 27 advanced units and 20 model individuals who had scored marked achievements in establishing these types of schools.

### Northwest Region

#### 8th Qinghai CPC Congress Planned for May 1993

HK0412100292 Xining Qinghai People's Radio Network in Mandarin 2300 GMT 28 Nov 92

[Excerpt] The 11th plenary session of the seventh provincial party committee has passed a resolution on convening the eighth provincial party congress.

It has been decided that the Eighth CPC Congress of Qinghai Province will be held in May 1993 in Xining. The main agenda items of the congress are: listen to and examine the report by the seventh provincial party committee, examine the report by the provincial advisory commission, examine the report by the provincial commission for discipline inspection, elect members of the eighth provincial party committee, and elect members of the provincial discipline inspection commission.

The resolution says there will be 380 of delegates to the eighth provincial party congress. [passage omitted]

#### Shaanxi Party Congress Planned for April 1993

HK0712102592 Xian Shaanxi People's Radio Network in Mandarin 0030 GMT 28 Nov 92

[Text] Yesterday afternoon, the seventh provincial party committee held its ninth plenary session in Xian. Zhang Boxing, provincial party secretary, presided over the

session. Bai Qingcai, An Qiyuan, and Liu Ronghui, deputy provincial party secretaries; and (Lian Zhi), Zhi Yiming, Zhao Huanzhi, and Li Huanzheng, members of the provincial party committee standing committee, sat at the rostrum.

By raising their hands, participants in the meeting passed the resolution on convening the eighth provincial party congress.

The resolution decided that the eighth provincial party congress will be held in April 1993, in Xian.

The meeting also passed the main agenda of the eighth provincial party congress.

#### Xinjiang Offers To Resettle 3 Gorges Migrants

HK0412100192 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0926 GMT 2 Dec 92

[Text] Urumqi, 2 Dec (ZHONGGUO TONGXUN SHE)—Officials from Xinjiang's Kaxgar area have indicated that they are willing to take in 100,000 migrants from the Three Gorges areas at a briefing with an observation delegation from Sichuan Province.

Kaxgar has learned that some 700,000 people will be relocated out of the Three Gorges Project site at a cost of 18.7 billion yuan to the state. Once Kaxgar's Xiapandi project is completed, it will raise Kaxgar's absorption capacity by 470,000 people at the end of the ninth Five-Year Plan. Consequently, it presented a proposal for mutual assistance so that advantages will compensate for shortcomings and under which Kaxgar will take in 100,000 migrants through development relocation programs, while the state will put in a total of 2 billion yuan or a per capita investment of 20,000 yuan for the relocation of the residents of the Three Gorges project, in which 1 billion yuan will be used to fund water and power development projects, 400 million yuan for the development of 400,000 mu of land, 600 million yuan for construction of houses, moving costs, and other expenses.

The Sichuan officials, who are on an observation tour of Xinjiang, maintained that if Kaxgar is successful in resettling migrants from Three Gorges areas, both sides will benefit because it will not only ease the pressure on Sichuan regarding the relocation of these migrants, but will also promote exchanges between Sichuan and Xinjiang.

#### Xinjiang To Introduce Market Economy Policies

OW0512061792 Urumqi Xinjiang Television Network in Mandarin 1555 GMT 4 Dec 92

[Announcer-read video report; from the "Xinjiang News" program]

[Text] The autonomous regional government will soon introduce new policies and measures to promote the establishment of a socialist market economic system in

eight aspects in the region. The eight aspects covered by these policies and measures include revitalizing the economy in agricultural and pastoral areas; changing enterprises' operating mechanisms, curtailing administration and delegating power to lower authorities and enterprises; reform of the wage system; reform of the personnel and organizational system; structural reform in science and technology; structural reform in education; and developing the individual economy and private-owned enterprises. The autonomous region is adopting a positive and cautious attitude toward the introduction of these eight-faceted policies and measures as it regards them as a major move in deepening the implementation of the 14th CPC National Congress guidelines and in speeding up the pace of reform, opening to the outside world, and the establishment of a socialist market economy. It has extensively solicited the views from various departments in various prefectures, autonomous prefectures, and cities. Presently, actions are being taken to further revise and improve the mooted policies and measures.

#### Commentary Urges Action by Regional CPC Cadres

OW0512143492 Urumqi Xinjiang Television Network in Mandarin 1555 GMT 4 Dec 92

[Commentary: "What Is Important Is Taking Action"; from the "Xinjiang News" program—read by announcer]

[Text] The 14th CPC National Congress created an action program for the people of our country to advance to the 21st century. The fifth enlarged plenary session of the fourth Xinjiang autonomous regional party committee, which ended yesterday, set forth the goal of economic development for Xinjiang and the fundamental guiding thought for achieving this goal in the 1990's; and drew up the plan for work in 1993.

Now that the major policies have been set, we must carry out the following important tasks: carrying out the enlarged plenary session guidelines, seriously strengthening leadership, working hard, and ensuring that policies related to reform and opening up are truly implemented.

In carrying out the plenary session guidelines, it is the pressing obligation of all areas and departments to follow the requirements for reform, opening up, and economic development for Xinjiang that were set by the 14th CPC

National Congress and the plenary session; to make their own decisions, boldly set their own goals, plans, and measures in light of actual conditions; and to make arrangements for their respective work independently and in a responsible manner.

In carrying out reform, it is necessary to be resolute. Once policies have been set, they must be carried through to the end. We must carry out reform measures resolutely once we are certain of their success, but we should experiment first if we are not certain. We should expect both success and failure.

In carrying out the plenary session guidelines, it is very important that we take action. We should not get bogged down in a controversy over what is socialist and what is capitalist. Nor should we simply engage in discussing guiding principles and measures without taking concrete actions. The current situation in the autonomous region is very good. We must advance by seizing opportunities and working hard and relentlessly. This winter and next spring, all areas and departments should take concrete action to open up a new situation.

In carrying out plenary session guidelines, leaders at all levels should have a sound frame of mind. It will be impossible for party cadres, especially leading cadres, to shoulder heavy responsibilities if they do not have a healthy frame of mind. In the torrent of reform and opening to the outside world, leaders at all levels must boldly take up challenges and carry out the responsibilities bestowed on them by history. Frames of mind—dejection and laxity, being satisfied with things as they are, unwillingness to take up responsibilities, and being afraid to take risks—are incompatible with the undertakings in which we are engaged. We will accomplish nothing if we are afraid of difficulties and if we wait for appropriate conditions before we start to do anything. The correct attitude should be to overcome difficulties with a spirit of daring in exploring and continuing to fight despite setbacks, and to blaze a new trail of reform and development with a pioneering spirit.

The 14th CPC National Congress and the affirmation of the reform goal of establishing a new socialist market economy have created a new opportunity for us. We must not let this opportunity slip away. Under the leadership of the party Central Committee with Comrade Jiang Zemin as the core, let us unite more closely; emancipate our minds; and work hard to implement, in an all-round way, the 14th CPC National Congress guidelines and accelerate the pace of reform, opening up, and economic development in our region.

**Economic Report With Washington Supported**

OW0712084992 Taipei LIEN HO PAO in Chinese  
2 Dec 92 p 2

[Editorial: "Devising a New Model for Sino-U.S. Economic Cooperation—Welcoming U.S. Trade Representative Hills"]

[Text] The 16th joint industrial and commercial conference between the Republic of China [ROC] and the United States will officially open in Taipei on 2 December. Although it is held only once a year, the conference—cosponsored by the ROC-USA and USA-ROC Economic Councils—has played a very important role in promoting ROC-U.S. economic cooperation. Nominally an unofficial event, the conference has actually performed the functions of an official ROC-U.S. trade conference. For the first time, the U.S. Government has sent a Cabinet-level official—U.S. Trade Representative Hills—to the conference. The presidents of both governments have sent congratulatory messages. Premier Hao Po-tsun and Economic Affairs Minister Hsiao Wan-chang have been invited to deliver speeches at the conference. This kind of active official involvement has radically changed the nature of this year's conference.

Held under the central theme of "Strategic Alliance and Joint Development," this year's conference will feature in-depth discussions of ROC-U.S. economic cooperation that will go beyond the main topic of the past—balancing bilateral trade. In light of the emerging U.S. economic recovery and our growing economic dependence on the mainland, the formation of a strategic business alliance between the ROC and the United States reflects a high degree of foresight. We hope that this conference will help us devise a new model for ROC-U.S. economic cooperation.

Four new scenarios are expected to develop in ROC-U.S. economic cooperation:

1) To stimulate an economic recovery and improve its competitiveness, the United States is working on the North America Free Trade Area, while assiduously trying to maintain the principles of global free trade. It hopes to open up new markets by defusing the conflict between regional economies and free trade.

2) Because of its lifting of restrictions on investment in Mainland China and its Six-Year National Development Plan, our country is expanding investment in domestic construction projects and increasing domestic demand, while maintaining growth in foreign trade. Efforts to maintain growth in foreign trade can help the country diversify markets and lessen its dependence on the U.S. market, while the expansion of investment in domestic construction projects and local demand will create a new huge market for U.S. capital, science and technology, and equipment.

3) Our country needs unstinting U.S. support as it tries to rejoin the GATT and other international economic organizations. For its part, the United States requires closer and better cooperation from our country on the protection of intellectual property rights and other issues, as well as in helping its businessmen land contracts for the Six-Year National Development Plan. This will lead to an interactive relationship.

4) Communist China's economic open policy has created a bustling scene in mainland coastal areas. Although Communist China has not yet become an "economic power," it has acquired an impressive competitive edge in the export trade. Moreover, Mainland China's domestic market has become a new target of investment for Taiwan, Japan, Korea, and the West. The mutually complementary and competitive nature of ROC-U.S. efforts to enter the mainland market will certainly affect the conditions for economic cooperation between the two countries.

In light of the above-mentioned four scenarios, the ROC and the United States must devise a new model for economic cooperation during the 1990's, rather than following the model of the 1980's. This will help them adapt to changes in bilateral economic development.

How do we devise a new model for ROC-U.S. economic cooperation?

First of all, we must adjust ROC-U.S. trade relations by lessening our current dependence on U.S. markets and our vulnerability to U.S. trade acts. The two sides must work toward the goal of free trade. It is essential to sign a "ROC-U.S. Free Trade Agreement." In our opinion, the ROC and the United States should conduct trade in accordance with specific laws governing market competition and minimize the interference of tariff and non-tariff barriers. While the two sides should open up their own markets, they should complement each other's strengths, offset each other's weaknesses, and jointly seek greater market shares in accordance with the principles of comparative advantages.

Subsequent to or concurrent with this effort, the ROC and the United States should maximize the role of trade and investment in their substantive relations. This will minimize inconveniences encountered in bilateral trade and investment as a result of the severance of diplomatic relations. The two sides should also establish a new framework for economic cooperation at the earliest possible date. They must overcome various potential problems and work for the signing of a "Framework Agreement on ROC-U.S. Trade and Investment." We hope that Hills' visit will help establish a semiofficial joint committee, which will effectively dismantle trade and investment barriers in preparation for the signing of an "ROC-U.S. Free Trade Agreement."

We welcome Hills' visit because she is a Cabinet-level official from the U.S. Government, and because she is aware of the crucial problems in ROC-U.S. trade and

investment, especially regarding structural and diplomatic impediments. She showed an understanding of the problem during her past contacts with us. We agree with her observation—contained in her arrival statement—that "Taiwan and the United States have a shared responsibility for the future of our trading system." Showing her profound understanding of the situation, she said: "Now, Taiwan is broadening its economic policies from an export-led growth strategy to include a greater emphasis on domestic demand for infrastructure projects and consumer products. U.S. businesses can once again be a constructive force in Taiwan's economic program because they are highly competitive in those areas." These remarks coincide with our position that the ROC and the United States should devise a new model for economic cooperation.

We look forward to smooth discussions on the key topic of "Strategic Alliance and Joint Development" in today's opening session of the joint ROC-U.S. industrial and commercial conference. Over the past 15 years, the conference has contributed greatly to ROC-U.S. trade and investment. Given the need for a new model for ROC-U.S. economic cooperation, we earnestly hope that the conference will soon help us upgrade the "ROC-USA and USA-ROC Economic Councils"—which are civic organizations—to a semiofficial "ROC-U.S. Joint Committee for Trade and Investment."

#### **Editorial Discusses U.S. Treasury Criticism**

*OW0512143392 Taipei CNA in English 1409 GMT  
5 Dec 92*

[Text] Taipei Dec. 5 (CNA)—The following editorial appeared in Saturday's [5 December] EXPRESS NEWS, an evening daily published by CENTRAL NEWS AGENCY.

#### **Trade and Exchange Rates**

The US Department of Treasury charged earlier this month in a report on international economic and exchange rate policy that Taipei continues to manipulate its foreign exchange rates so as to gain an unfair competitive benefit.

Unfortunately, the department failed to be specific on its charges only vaguely accusing the government here of maintaining foreign exchange restrictions to prevent market forces from playing their proper role in determining exchange rates.

That charge does not stand up to scrutiny. The Central Bank of China, indeed, sometimes steps into the local foreign exchange market to smooth out a downward or upward spiral of the value of the local currency. That kind of intervention, however, is not manipulation because it is not aimed at changing the basic market trend but aimed at avoiding undesirable disruptive effect

In fact every central bank does it at one time or another. During the crisis of the British pound and the Italian lira earlier this year, European Community countries sold billions of deutsche marks to stabilize the exchange rates. And the Central Bank of China has intervened only sparingly in the foreign exchange market here in recent years after the [words indistinct] percent appreciation of the new Taiwan dollar against the greenback in the late 1980s.

But it is understandable why the treasury department would make such a charge. [Words indistinct] the island's trade surplus with the United States reached US\$7.8 trillion in the first 10 months of this year. That figure represents an 8.7 percent increase from the same period last year and ranks Taiwan third among the countries enjoying surpluses with the United States.

It is, however, unfair to blame Taiwan for its success in selling goods in the United States. The island has left no stone unturned in trying to open its market, and its surplus with America has already come down considerably from a record US\$13.3 billion in 1988.

Basically, the people here hold American technology in high esteem. We believe the just concluded meeting of the USA-ROC [Republic of China] and ROC-USA economic councils, in which the first US Cabinet-level official to visit here in 14 years took part, will pave way for a more balanced commercial relationship between the two countries.

#### **16th ROC-U.S. Joint Economic Conference Ends**

*OW0512093292 Taipei CNA in English 0808 GMT  
5 Dec 92*

[Text] Taipei, Dec. 5 (CNA)—The 16th joint conference of the ROC-USA and USA-ROC economic councils closed Friday, with both sides pledging to engage in a "strategic alliance" to explore the vast markets in Asia and Europe.

More than 800 government officials and entrepreneurs from the two countries attended the three-day meeting, which opened at the Taipei International Convention Center Dec. 2.

US Trade Representative Carla Hills' keynote speech on Dec. 2 highlighted the meeting, at which 80 papers were read and discussed in seven panels. Hills is the first cabinet-level American official to attend the annual meeting.

Delegates from the two sides opined that Taiwan might face stiff competition from Mexico, which boasts low-priced products, after the North American Free Trade Agreement (NAFTA) is signed on Dec. 17. Domestic manufacturers were therefore advised to relocate production facilities to North America as soon as possible.

The NAFTA, designed to create the world's largest free trading area, covers Canada, the United States, and Mexico.

Both sides agreed that the "strategic alliance" will not only extend US exporters' business but also help expedite industrial upgrading here. The alliance could even pave the way for manufacturers of the two countries to join hands to take inroads into the Japanese and European markets, they said.

At the meeting, ROC Government officials extended their warm welcome to American manufacturers, saying their participation in various construction projects of the six-year national development plan will benefit their counterparts here.

Noting that the ROC aims to become the financial and transshipment center in the Asia-Pacific region, the delegates expressed the hope that US enterprises establish their research and development centers in Taiwan, which could serve as a springboard to other markets in this part of the world.

The next meeting is scheduled for Sept. 20-26 next year in South Carolina.

#### Intellectual Property Consultations With U.S.

OW0512094092 Taipei CNA in English 0813 GMT  
5 Dec 92

[Text] Taipei, Dec. 5 (CNA)—Consultations on intellectual property right (IPR) protection between the Republic of China [ROC] and the United States centered on computer software in its first day Friday [4 December].

The American side, led by Francis Ruzicka, director of Asia-Pacific Affairs of the US trade representative, recommended that the customs take over the inspection work on computer software exports, which is currently done by the institute for information industry.

In addition, they said, products of manufacturers with a record of counterfeiting should face 100-percent screening before being exported.

Lin Yi-fu, deputy director general of the board of foreign trade and concurrently head of the Chinese delegation, told the American delegates that the ROC Government has strictly cracked down on illegal cable tv stations as well as pirated musical recordings and compact discs.

On the parallel import of copyrighted publications, one of the topics to be discussed at the meeting, Wang Chuan-lu, chairman of the copyright committee of the Interior Ministry, said that he saw tough negotiations in the days ahead.

The US request that the ROC ban the parallel import of genuine products and instead render the rights of import and distribution to the copyrighters does not comply with stipulations of the copyright law, Wang pointed out.

In addition, he noted, it is nearly impossible to revise the law, which was just enacted early this year.

Wang however stressed that this country does prohibit the import of pirated publications.

The retroactive protection of patented pharmaceuticals is also on the agenda of the meeting, which will run through Dec. 9.

#### Official Hopes For Revised Air Pact With U.S.

OW0512094892 Taipei CNA in English 0830 GMT  
5 Dec 92

[Text] Taipei, Dec. 5 (CNA)—The Republic of China [ROC] hopes to revise its air agreement with the United States, a ranking civil aviation official said Friday.

Yuan Hsing-yuan, director general of the Civil Aeronautics Administration (CAA), said the Sino-American air pact signed in 1980 contains provisions that are unfair to Taiwan.

"It's time to review the accord and make necessary revisions on the principle of reciprocity," Yuan said.

The agreement imposes no restrictions on the number of flights on the Sino-American route. Any US carrier, with the approval of the American Institute in Taiwan (AIT), can fly to the ROC. AIT represents American interests in Taiwan in the absence of diplomatic ties between the two countries.

Under the current accord, American airlines can fly to Taipei or Kaohsiung from any intermediate third country with the approval of that country. They can also fly from Taipei or Kaohsiung back to the US via any third country as long as that country agrees.

ROC carriers can only fly to Guam, Honolulu, Seattle, Los Angeles, Dallas and New York via a third country in the Pacific basin, and such flights can extend to only one point in either Europe, Central or South America, giving them only limited intra-regional access.

"We hope the inequity in the pact can be removed," Yuan said.

Earlier this week, Yuan had expressed the ROC's intention to several American officials who were here to attend the 16th joint conference of ROC-USA and USA-ROC economic councils.

#### Council 'Closely Watching' Hong Kong Situation

OW0512101292 Taipei CNA in English 0821 GMT  
5 Dec 92

[Text] Taipei, Dec. 5 (CNA)—The Mainland Affairs Council is watching closely the development of Hong Kong-Peking confrontation and Peking's interpretation regarding its promise of adopting "one nation, two systems" in handling Hong Kong issue.

Council Chairman Huang Kun-huei said Friday the contradiction between the declaration and practice of "one nation, two systems" by Peking should be noted.

Responding comments on the government's conservative approach towards Hong Kong affairs, huang said the government is making a multi-facet approach. For the moment, to boost cultural and economic exchanges remains the government's basic policy towards Hong Kong.

As to the government's preparations for 1997 when Britain ends its colonial rule over Hong Kong, the representation of the Republic of China's interest in Hong Kong will not withdraw, though it may convert into civilian organizations, a source of the Mainland Affairs Council said.

#### Official Comments on Beijing-Hong Kong Row

OW0712100592 Taipei CNA in English 0806 GMT  
7 Dec 92

[Text] Taipei, Dec. 7 (CNA)—The Government of the Republic of China [ROC] will in no way get involved in the row between the Chinese communists and Hong Kong Governor Chris Patten over the British colony's democratic reforms, a ranking government official said Sunday.

The ROC Government, while supporting Patten's reform package, will not oppose the Chinese communists if they present an alternative program of democratic measures, said William W. Li, director of the Mainland Affairs Council's department of Hong Kong and Macao Affairs.

Any measures that will lead Hong Kong on the road of democracy will be welcome no matter who proposes it, Li said in a speech at the Chinese Television System Sunday.

The stance complies with national reunification guidelines, which aim to promote freedom and democracy for the whole of China including Hong Kong, Li explained.

In response to criticism for the absence of a government position over the recent Peking-Hong Kong confrontations, Li said the ROC government needs not to express an opinion on the occurrence of several robberies or the plunge of share prices in Hong Kong, seen as manifestations of the instability caused by the recent friction.

The Chinese communists have reacted strongly since Patten made public his democratic proposals last month. Peking threatened to revoke the 1984 agreement it signed with London on the return of Hong Kong to China in 1997, thus setting off panic selling in the Hong Kong bourse. At its worst, the Hang Seng index nose-dived more than 1,000 points.

Li described the ROC Government's policy in dealing with Hong Kong affairs as "a duck swimming in the water." "Though you cannot tell what it is doing, it is as a matter of fact pushing for the policy actively," Li affirmed.

Li said he believes Hong Kong people could enjoy self-autonomy after the colony reverts to the Chinese communist rule in 1997. Peking, however, certainly will have absolute control in the management of Hong Kong's future foreign affairs.

The Chinese communists, Li pointed out, are planning to organize a preparatory committee in 1996 for the establishment of a government for the Hong Kong special administration.

Under the draft measures for the committee, Hong Kong residents should not account for less than 50 percent of the committee members, Li noted.

Giving the reason behind the recent row between Peking and Patten, Li said the fuse had been planted as early as 1984 since details in the plan for Hong Kong's democratic reform were not specified in the accord.

#### Moscow, Taipei To Increase News Exchanges

OW0412090492 Taipei CNA in English 0759 GMT  
4 Dec 92

[Text] Taipei, Dec. 4 (CNA)—Officials of the world's largest weekly THE ARGUMENT AND FACTS [ARGUMENTY I FAKTY] Thursday expressed strong interest in strengthening news exchanges with Taiwan.

Nicolai Ivanovich Ziatkov and Dmitry Ivanovich Makarov, deputy editor-in-chief and editor, respectively, of the Russian weekly, made the remarks when they called on P. P. Tang, president of the CENTRAL NEWS AGENCY (CNA)—at CNA headquarters.

Tang told the Russian editors that the CNA has targeted Russia as one of the most important countries to promote cooperation in news coverage.

CNA and THE ARGUMENT AND FACTS will sign a memorandum on cooperation Saturday to establish a solid basis for future ties.

THE ARGUMENT AND FACTS has a circulation of 26 million copies every week. It also publishes professional magazines in health, arts and lifestyles.

Tang, who is concurrently chairman of the Republic of China [ROC] Amateur Baseball Association, and the Chinese Professional Baseball League, offered to donate baseballs, gloves and other equipment, if Russians are interested in promoting the sport.

#### Official Threatens To Expel UK Conservationist

OW0512085192 Taipei CNA in English 0744 GMT  
5 Dec 92

[Text] Taipei, Dec. 5 (CNA)—An agricultural official Friday [4 December] threatened to expel British conservationist Ros Reeve for slander when she accused a former Republic of China [ROC] ranking official in Swaziland of involvement in rhinoceros poaching in the African country.

Reeve, coordinator of the London-based Environmental Investigation Agency [EIA], in a press conference in Taipei Thursday claimed that the former ROC ambassador had been linked to rhino poaching in Swaziland.

Foreign Ministry Spokesman Ouyang Jui-hsiung categorically denied the charges, saying they were completely groundless and had smeared the image of ROC officials.

Reeve did not present concrete evidence when she made the charges. "This is irresponsible and can in no way be accepted," Ouyang added.

The Ministry of the Interior is entitled to expel foreigners deliberately defaming the ROC government, the president, or other government officials by way of speeches, paintings, or any other form of expression.

The agricultural official argued that it is unfair that the EIA assailed the nation for failure to enforce conservation measures while turning a blind eye to prevailing practices in the British colony of Hong Kong.

"Tiger parts and a wide variety of wildlife are easily available in Hong Kong. Why doesn't the EIA visit there and look into the practices?" The official asked.

The radical British conservation organization, as well as several similar American groups, recently charged Taiwan with stockpiling and trading endangered rhinos.

### **Anti-Independence Activists To Seek Beijing Help**

*HK0712032992 Hong Kong THE STANDARD in English 7 Dec 92 p 10*

[By Thomas Wong]

[Text] Anti-Taiwan independence activists plan to launch an unprecedented visit to Beijing to seek support.

Robin Lee, chairman of the Hong Kong and Macao branch of the Chinese Anti-Independence Territories Union, said next year's spring mission aimed to persuade Beijing to tackle secessionism "bloodlessly", instead of invading Taiwan by force if the island became independent.

"China's military threat would deepen the Taiwan people's fear for reunification and stimulate their secessionism," he said.

"We hope the Beijing authorities can use peaceful means to stop pro-independence activities."

At an anti-Taiwan independence meeting yesterday, Mr Lee used blood collected from participants of 86 groups in Hong Kong and Macao to write a letter that read: "To resolutely oppose independence for Taiwan, and to safeguard the Republic of China."

Lao Ching-wu, general secretary of the Chinese Anti-Independence Territories Union in Taiwan, who is also a Kuomintang member, said it was necessary to seek

support from Beijing and mainlanders to stop pro-independence activities in Taiwan.

"Pro-independence activities have been legalised in Taiwan. Law is no longer useful to prevent it. What we should do is to unite the anti-independence forces worldwide to check it," he said.

Mr Lao also urged the 200 participants at the meeting to vote against the Democratic Progressive Party, which supported Taiwan's independence, at 19 December elections.

In Beijing, Cai Zimin, chairman of the central presidium of the Taiwan Democratic Self-Government League, said the advocacy for "one China, one Taiwan" was identical to the call of separation between the mainland and Taiwan.

He said such separation of China's sovereignty was similar to the independence of Taiwan, which was not in the interests of people on the island.

### **Prosecutors Indict Mainland Security Officers**

*OW0712093192 Taipei CNA in English 0846 GMT 7 Dec 92*

[Text] Taipei, Dec. 7 (CNA)—The Keelung Prosecutor's Office over the weekend indicted 13 mainland Chinese, including four security officers and a customs official, on charges of assault and violating the National Security Law.

The 13 were arrested when their customs patrol boat, the Mingningqi No. 3, was intercepted by ROC marine police off northern Taiwan coast on Nov. 23.

The five mainland officials and eight Mingningqi crew members were indicted for intruding into Taiwan's territorial waters during an anti-smuggling operation, prosecution authorities said.

The four mainland security officers were also charged with forcefully boarding a Taiwan fishing boat—the Hsing Lung No. 201—and robbing and beating its crew.

The prosecutor's office also indicted the Hsing Lung crew for attempting to smuggle mainlanders into Taiwan.

The 34 illegal mainland immigrants found on the Keelung-based fishing boat and the 17 other mainland crewmen aboard the Mingningqi revenue cutter who were not indicted will soon be repatriated, police authorities said.

The illegal mainland immigrants are now being kept at the headquarters of the Seventh Security Squad in Tamsui in suburban Taipei, while all the Mingningqi crew and the five mainland officials are staying at a government-run reception center in Hsintien, Taipei County.

**President Stresses Building Defense Industry**

*OW0412120692 Taipei CHUNG KUO SHIH PAO in Chinese 28 Nov 92 p 6*

[By Wu Nan-shan (0207 0589 1472): "President Li Stresses Building Independent Defense Industry as Established Policy, and Calls for Developing Defense Industry by Utilizing Civilian Resources"]

[Text] President Li Teng-hui stressed on 27 November that it is established policy to build an independent defense industry and that one of our objectives is to plan and develop a new generation of weapons systems according to possible situations and possible enemy threats in the future.

President Li made the remarks yesterday while inspecting the newly established Army Ordnance and Outfit Development Center for the first time (he visited once previously when the facility was called the Armored Vehicle Development Center). The president said: It is an arduous task to develop science and technology for national defense, and we should keep laying a solid foundation and must not discontinue this work.

Located at Chichi Town, Nantou County, the Army Ordnance and Outfit Development Center is a merger of the former Army Armored Vehicle Development Center and several Army ordnance and engineering research and manufacturing units. The new center has become an equipment development and manufacturing area for the Army.

Accompanied by Deputy Secretary General Chiu Chin-i of the President's Office, the president arrived at the Army Ordnance and Outfit Development Center yesterday morning. On hand to greet him were Admiral Liu He-chien, chief of the general staff; General Lin Wen-li, presidential chief military aide; General Chen Ting-chung, Army commander in chief; and other high-ranking general officers. After hearing a briefing, the president said that in recent years, the center had made tremendous achievements in the research, development, and production of armored vehicles. He praised all the center personnel for their achievements and encouraged them to keep up the good work.

In his speech at the center, President Li made a five-point proposal and hoped that they would strive to improve the combat capability of the national armed forces:

1. It is necessary to utilize civilian resources to develop the defense industry.

In this connection, the president said: A major policy of the Ministry of National Defense is to build an independent defense industry. The defense industry is comprehensive in nature. It is hoped that the defense industry will continue its cooperation with domestic research institutions and other industries. Such cooperation can strengthen civilian industries and raise their technological levels.

2. It is essential to speed up the renewal of our weapons and equipment and improve the combat capability of our Army.

The president said: One of our objectives is to speedily accomplish the task of making the Tienkung missile system combat-ready. In-depth research should be done on how to readjust the structure of the Army troops and how to plan a new generation of weapons systems according to possible situations and possible enemy threats in the future.

3. The orientation of research should be appropriately adjusted according to changed circumstances.

The president pointed out: The center has laid a solid foundation for the research, development, and production of armored vehicles. However, it should strengthen its work in planning and management in order to ensure that all plans can be carried out according to schedule, with desired quality, and within the approved budgets.

4. Persistent efforts should be made to train scientists and technicians so as to accelerate the development of science and technology for national defense.

The president stressed: The development of science and technology for national defense depends on qualified personnel. The Ordnance and Outfit Development Center is a research and production unit for the Army. The center has trained group after group of scientists and technicians, who are the most valuable assets of the country. We should try to keep them working here and not let them scatter, and we should continue such training.

The present then said: The country sets great store by the scientists and technicians working at the center, and their abilities should be brought into full play. Overall and forward-looking planning should be made for the development of a new generation of weapons systems for the Army. Science and technology must be made to take root at the center.

5. Great importance should be attached to overall logistic support in order to accomplish the task of combat readiness.

The president pointed out: When weapons and equipment are ready for the Army, logistic support should also be available. While renewing weapons systems, we should particularly take into consideration overall logistic support.

**President Urges Participation in World Community**

*OW0512094192 Taipei CNA in English 0825 GMT 5 Dec 92*

[Text] Taipei, Dec. 5 (CNA)—The government's strong opposition to Taiwan independence is based on a noble national cause—benefiting the entire Chinese nation—

not out of fear of the communist Chinese threat, President Li Teng-hui said Friday [4 December].

Under the current political climate, Li said, Taiwan should leave aside the idea of pushing for independence. "The idea would only isolate Taiwan from the international community," he said.

"We should not isolate ourselves," the president stressed. "We should instead walk out of this small island with dignity and confidence into the world community."

Li continued that all people here should have the understanding that they are sitting in the same boat and share a common destiny. "Each of us should therefore ignore the narrow differences owing to our personal origin and abandon provincialism," he urged.

Li made the remarks during a lunch with several Kuomintang officials at the Grand Hotel in Kaohsiung after inspecting several major construction projects in southern Taiwan.

Li was on an islandwide tour to campaign for KMT candidates running in the Dec. 19 legislative election in his capacity as chairman of the ruling party.

#### **Economics Minister on Asia-Pacific Trade Concept**

*OW0512093392 Taipei CNA in English 0757 GMT  
5 Dec 92*

[Text] Taipei, Dec. 5 (CNA)—Economic Affairs Minister Hsiao Wan-chang said Friday that political and ideological barriers are being shattered as a "South China economic triangle" is becoming the most important area in the Asia-Pacific.

Taiwan, Hong Kong and Mainland China's Guangdong and Fujian provinces are fast developing into a new triangle as their economic strengths complement each other, the minister said.

In a speech sponsored by the CHINA NEWS, an English-language daily, Hsiao said Mainland China offers cheap labor and land, Hong Kong boasts competent marketing and service teams, and Taiwan has high technologies and good management skills.

"Though everyone agrees that Japan is an economic superpower, no one can ignore the economic strength of this emerging triangle in Asia," he told an audience which included more than 100 American businessmen.

Hsiao said the Republic of China [ROC] is pouring US\$300 billion to implement various infrastructure projects under its six-year national development plan.

Moreover, the ROC will soon become a contracting party to the general agreement on tariffs and trade which seeks to harmonize and deregulate world trade, he said.

At the same time, he added, the government here is loosening foreign exchange controls, simplifying custom clearance procedures for inbound and outbound goods, and taking other measures to further liberalize its marketing the minister pointed out.

All these are aimed at creating a good environment for both domestic and foreign investors so they can make greater profits in Taiwan, Hsiao said.

He called on America's business community to seek partners in Taiwan in keeping with the trend of trade regionalization.

Hsiao said that all big companies in different countries are seeking cooperative partners in Europe, North America and East Asia to boost their operations.

Taiwan lies in a critical position in terms of trade and economic exchanges in the Asia and Pacific area, Hsiao said.

Taiwan's own economic performance is eye-catching, he noted, with outbound investments showing an 12.69 percent increase over the same period last year. ROC per capita GNP has topped US\$1,000, compared with US\$8,788 in 1991; and latest figures show that Taiwan's foreign exchange holdings of US\$90 billion rank first among all countries, he reported.

In his speech, titled "The Prospects of the Republic of China Becoming the Operations Center of Asia-Pacific," Hsiao urged foreign investors to select Taiwan partners "correctly and quickly" so as to give another boost to business activity.

#### **KMT Expels Member Advocating 'One China, One Taiwan'**

*OW0412044292 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT  
2 Dec 92*

[From the "Hookup" program]

[Text] On 2 December, the Standing Committee of the ruling Kuomintang Central Committee passed a resolution to expel Chen Che-nan from the party. Although some Standing Committee members suggested not expelling Chen during the meeting, Chairman Li Teng-hui said that Chen's inappropriate conduct of advocating "One China, One Taiwan" and waging personal attacks on party comrades should be rejected and that suitable punishment must be handed out.

## Hong Kong

**Trade Minister on Effort To Lobby U.S. on MFN**  
HK0512045392 Hong Kong *THE STANDARD* in English 5 Dec 92 p 17

[By Karen Chan]

[Text] Hong Kong's top officials have been urged to impress on U.S. President-elect Bill Clinton the importance placed by the territory on China's most-favoured nation (MFN) status.

Peter Lo, minister of Hong Kong Economic and Trade Affairs, said that, since the U.S. Congress would return by the end of January, the best time for Hong Kong to lobby U.S. officials was early February. "Clinton's administration has three priority domestic problems—jobs creation, health care and education," he said. "The new administration will certainly not be turning their full attention to the MFN issue at the beginning."

"But it doesn't mean that we can sit still and do nothing," Mr Lo said. "In fact, we are preparing to start talking to the members of his cabinet and sub-cabinet." Mr Lo said more effort was needed to convince three new senators, who had traditionally opposed President George Bush's trade policy on China, to support unconditional renewal of China's MFN. He suggested that Hong Kong companies increase affiliations or form coalitions with U.S. companies to help get the message across.

The Hong Kong Government spends about \$10 million every year to lobby for MFN renewal, but Mr Lo said this was not enough. "It is a long road, therefore we need more manpower," he said. "As the U.S. trade deficit with China for September was US\$2.27 billion, we have a lot of work to convince the senators."

**Pro-PRC Airport Committee Member Walks Out**  
HK0712102792 Hong Kong *AFP* in English 1010 GMT 7 Dec 92

[Text] Hong Kong, Dec 7 (AFP)—A pro-China member walked out of a meeting of the airport consultative committee in protest here Monday, fueling the worsening row between Britain and China over the mammoth project.

Hopes that the issue would be discussed in Tuesday's [8 December] meeting of the Sino-British Joint Liaison Group were also dashed after a government spokesman said the issue was not on the agenda.

Victor Sit, like the other 49 committee members a private citizen appointed by the government, walked out after a bid by two liberal members of the committee to move a motion urging the Chinese and British to resume talks on the new airport.

"The Chinese have rejected the (airport) proposals and we should know why they opposed it. The ball is now in the (Hong Kong) governor's court," Sit said.

China has refused to give the project its approval, which is thought essential to attracting private investment for it, because of concerns it could deplete the Hong Kong treasury ahead of Beijing's 1997 resumption of sovereignty over the territory.

Of the motion, Sit said: "We might fall into the trap of those with ulterior motives. I find the whole meeting very fishy."

Another pro-China member, Kan Fook-yeo, said the committee should ask the Hong Kong Government why it was going ahead with the project without China's approval.

"We should ask the government to stop the project first. Otherwise, it would be meaningless to ask for a resumption of talks," Kan said.

Sit also said the committee was not notified formally about the government's proposal urging the Chinese to use 40 billion dollars (\$5.1 billion U.S.) of the post-1997 Special Administrative Region's money to help finance the estimated 180 billion dollar (\$23 billion U.S.) project.

"This committee has not even discussed the second proposal. To pass such a motion would be meaningless," Sit said.

The meeting was called after chairman Wong Po-Yan received letters from liberals Lau Kong Wah and Leung Kwong Cheong—the two members who tried to move the motion. But Wong blocked the move, saying the meeting was called only to let members express their views.

The committee was formed in November 1991 after the signing of the Sino-British Memorandum of Understanding.

The meeting was also attended by important businessmen here, including Robert Ng of Sino Land and Victor Li, son of Hong Kong property magnate Li Ka-shing.

Wong asserted that the meeting was "positive" despite the walkout.

## Commentary on Patten Shaking Investor Confidence

OW0512022792 Beijing *XINHUA Domestic Service* in Chinese 0155 GMT 4 Dec 92

[Commentary by reporter Ye Guiguang (5509 2710 0342): "Who Has Shaken Investor Confidence in Hong Kong?"]

[Text] Hong Kong, 4 Dec (XINHUA)—Since his arrival in Hong Kong four months ago, Hong Kong Governor

Chris Patten has not only provoked a heated controversy over the political system with the Chinese side, but he has also made a unilateral decision in violation of the principles of cooperation and consultation between China and Great Britain on the airport platform project, and the exclusive right to operate the No. 9 container terminal. This has had a strong impact on Hong Kong's economy and investment climate.

Hong Kong's economy has grown steadily since the beginning of this year. The territory has become one of the most vibrant investment markets in the world since the 14th CPC National Congress decided to maintain the line of reform and openness. On the stock market, which serves as a barometer of Hong Kong's economy, the Hang Seng Index broke the 6,000 mark in June, after rising incessantly from 4,297 points early this year. Compared to the beginning of this year, the index—which reflects stock prices—climbed 42 percent to reach 6,113 points. In October, funds from Europe and the United States began to pour into the Hong Kong stock market. The infusion of capital pushed the Hang Seng Index to a record 6,447 points on 12 November, up 50 percent from the beginning of this year. More than 2.8 billion Hong Kong dollars' worth of shares were traded daily during the first 10 months of this year, more than double the volume of the year-ago period. The exceptional performance of the Hong Kong stock market vis-a-vis other bourses was entirely fueled by Hong Kong's stability and prosperity, and by the spring tide of reform and openness on the mainland.

Patten has shown little regard for this excellent situation, staking the well-being of Hong Kong's 6 million residents on his political moves. The British Hong Kong Government's highly confrontational attitude has compelled the Chinese side to release a solemn statement indicating its intention of "instituting a completely new political system" in 1997, if the British side disregards the need for a convergence of the political structures before and after that year. The Chinese side also signaled its intention of invalidating, on 30 June 1997, all contracts and agreements on economic matters signed and approved by the British Hong Kong Government without its approval. On behalf of the future government of the Special Administrative Region, the Chinese Government will carefully examine various contracts and agreements.

Patten has continued his confrontation with the Chinese side. The Hong Kong stock market plummeted on 1 December, with the Hang Seng Index shedding 308 points. It represented a decrease of more than 5 percent. The index tumbled another 90 points and a whopping 433 points on 2 and 3 December, respectively. In the past 15 days of trading, the Hang Seng Index has shed 1,469 points, decreasing by more than 22 percent. The nosedive taken by the formerly vibrant Hong Kong stock market is indeed distressing. Patten's actions are reprehensible because they have disturbed the people of Hong Kong and shaken investor confidence.

**CPC Seeks Cadres' Support on Hong Kong Policy**  
*HK0412083192 Hong Kong CHING CHI JIH PAO in Chinese 4 Dec 92 p 11*

[By staff reporter Li Feng (2621 7685): "CPC Leadership Calls on Cadres To Study Modern History and Review in Particular the History of the Opium War To Solicit Support for Policies Toward Hong Kong"]

[Excerpt] In view of the recent arguments between China and Britain over the question of Hong Kong's political reform, the CPC's top hierarchy has demanded that all provincial, city, and Army cadres study the modern history of China well, particularly the history of the Opium War. It demands that the people should forever remember that the Chinese nation suffered from foreign aggression and humiliation.

Aside from issuing the documents and organizing the study of the history, the top central hierarchy also published numerous articles on the latest situation since Patten became the governor of Hong Kong and presented his political reform proposals as well as reference materials on the political, economic, and social developments in Hong Kong. These were supplied to the cadres at all levels for their study. By conducting studies and discussions through "the integration of theory with practice," the hierarchy seeks to unify the understanding of party, government, and army cadres at all levels and solicit their support for the central authorities' series of policies on the Hong Kong issue.

News from Beijing points out that the diplomatic strategy of the CPC top hierarchy is to "stabilize the United States and pressure Britain," and not allow the West to form a united front against China again once Clinton assumes power.

Hence, General Secretary Jiang Zemin has personally sought a breakthrough in Sino-U.S. relations by receiving a host of U.S. visitors recently. [passage omitted]

**Increase in Government Spending Criticized**  
*HK0412120092 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0858 GMT 30 Nov 92*

[Commentary by correspondent Yu Cheng (6735 2052): "Hong Kong Government Must Explain Reasons for Rapid Increase in Public Spending"]

[Text] Hong Kong, 30 Nov (ZHONGGUO TONGXUN SHE)—Investment in fixed assets by the Hong Kong Government's public institutions has been smaller than expected, but overall expenditures have risen conspicuously, constituting great pressures on inflation in Hong Kong. The principal factor for Hong Kong's inflation remaining high over the past three years has been excessive expenditure and the big increases in government spending on public institutions, and this merits serious attention and supervision.

Revised figures recently released by the Hong Kong Government show that the annual growth rate for expenditures by public institutions this year rose by 8 percent, which not only indicates a considerable upward adjustment compared with the 6 percent—a revised estimation made at the end of August—but actually doubles the 4 percent predicted in the budget earlier this year. This shows that the Hong Kong Government has definitely failed to control public spending as it undertook to do. Although the Hospital Authority has undoubtedly caused additional spending to the government, the magnitude of increase cannot be that big. Hence, the expenditure structure of public institutions has aroused people's concern.

Along with the rapid expansion of overall expenditure, what has attracted people's attention is that investment in fixed assets by government institutions has been noticeably reduced. According to the Hong Kong Government's latest revised estimates, capital investment in construction projects by public institutions this year rose by only 5 percent compared with the corresponding period last year, far lower than the 15 percent predicted earlier this year. It seems to have been affected by the fact that concrete results have not been reached in the negotiations about financial arrangements for the new airport.

However, at a time when no agreement has been reached between China and Britain on financial arrangements for the Chek Lap Kok Airport, the Hong Kong Government has only reduced investment in fixed assets in respect of construction projects, but has continued to put funds into the Provisional Airport Authority and signed related contracts. Obviously, they have not kept in step. Since the Government is aware that the pace of capital construction, including development of the new airport, would slow somewhat, it should have adopted coordinated and synchronous emergency measures in such fields as investment in fixed assets, contracts approval, funds allocation, and so on. Existing measures are suspected of being contradictory.

As for other capital investment, exceedingly noticeable reductions have also been made by the Hong Kong Government. What is more, it made no increase at all in allocating funds for investment in plant and equipment this year, which is quite different from the positive attitude of the past. Earlier this year, the Financial Secretary predicted in his budget that the annual growth rate for investment in plant and equipment by public institutions would be 20 percent. Though lower than last year's 36.9 percent, it was still at an ideal level. The average annual growth rate for investment in plant and equipment by public institutions was 19.1 percent between 1986 and 1991.

In spite of the fact that various items of investment in fixed assets have been conspicuously reduced, the Hong Kong Government's overall expenditure on public institutions has rapidly expanded. They are even higher than the growth of Hong Kong's gross domestic product. It is

thus obvious that the government has seemingly failed to fulfill its commitment to control public spending. Even though additional expenditures on the Hospital Authority were larger than expected, under conditions of growth in one item and declines in others, the amount of public spending still doubled last year, and needs to be clearly explained to the taxpayers.

Hong Kong has been confronted with the onerous pressures of high inflation for nearly four years, and a reason for this is the rapid expansion of the Hong Kong Government's public spending. In recent years, various countries in Europe and America have adopted policies to positively control rapid expansions in government spending and financial deficits so as to alleviate inflationary pressures and foster economic development. However, the Hong Kong Government has only made a belated commitment, and, worse still, it has failed to fulfill it.

#### CPPCC Member Denies 'Second Power Center'

HK0312132492 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1218 GMT 2 Dec 92

[By reporter Zhi Hong (5267 1738)]

[Text] Hong Kong, 2 Dec (ZHONGGUO TONGXUN SHE)—Recently, there was a report saying the Chinese side is stepping up efforts to establish a second power center in Hong Kong. Xu Simin, member of the Chinese People's Political Consultative Conference [CPPCC] and Hong Kong affairs adviser, told our reporters today that he has inquired of the relevant department about this matter and there is absolutely no such thing as setting up a second power center in Hong Kong.

He also said the rumor that China may possibly establish an examination and verification organization in Hong Kong next spring is mere conjecture. It cannot represent the voice of the Chinese side.

He believed that although the British Hong Kong Government has evoked the current dispute over Hong Kong's constitutional structure, the Chinese side will continue, as always, to maintain Hong Kong's prosperity and stability. There should be no doubt about this. He continued: The statement issued by the Hong Kong and Macao Affairs Office some days ago also points out that the Chinese Government welcomes private capital from China and abroad to invest in Hong Kong and it will take a positive attitude toward the contracts, deeds, and agreements, which will go beyond 1997.

He added: The Chinese side will send a public security liaison officer to Hong Kong by the end of this year as scheduled. This shows that China and Hong Kong are still maintaining close cooperation on public security and other fields concerning the people's livelihood as well as economy and trade.

Referring to the uncompromising stand of the Hong Kong governor at the Legislative Council [Legco]

meeting on Monday [30 November], Mr. Xu said it was natural for the governor to assume an uncompromising posture on that occasion. We still have to wait for one or two months to see what changes will take place.

However, according to Mr. Xu, even if the Legco adopts the governor's policy address next February, the Chinese side will not take over Hong Kong ahead of time or establish a second power center. Concrete reactions and actions will depend on the development of the situation.

**Visiting UK Envoy Urges China To Negotiate**  
*HK0612061992 Hong Kong RTHK Radio in English  
 0500 GMT 6 Dec 92*

[From the "News at One" program]

[Text] The British ambassador to China, Sir Robin McLaren, has urged Peking to start negotiations with Britain over the Governor's political reform proposals. Sir Robin was speaking on his arrival in Hong Kong for what he described as routine talks with Mr. Patten. Cliff Bayle has this report:

[Begin recording] [Bayle] Sir Robin spoke to reporters on his arrival in Hong Kong. He said his visit had been arranged several weeks ago, so people shouldn't read too much into his discussion in the territory, even though he will be here during a crucial meeting of the Sino-British Joint Liaison Group. However, Sir Robin went out of his way to deny reports that he disagreed with Mr. Patten's proposals for constitutional reform.

[McLaren] My advice is that he should stick to his policy, because the British Government has extended very firm and strong support to the governor in the proposals he has put forward. My job as ambassador is to promote the British Government's policies, and that policy in this case, as I have said, is to support the governor.

[Bayle] Sir Robin also spoke about Sino-British relations. He played down the extent of difficulty between the two countries and urged talks on Mr. Patten's political blueprint.

[McLaren] On the whole, Sino-British relations are good. We have our difficulties over Hong Kong, but the relationship, I hope, is sufficiently strong that we should be able to overcome those difficulties. The important thing now is for the Chinese side to start to talk instead of addressing us through megaphones. [end recording]

**Governor Patten Interviewed on Reform Package**  
*HK0412030892 Hong Kong SOUTH CHINA  
 MORNING POST in English 4 Dec 92 p 6*

[Interview with Hong Kong Governor Christopher Patten by SOUTH CHINA MORNING POST deputy editor Ann Quon; place and date not given]

[Text] [Quon] Given the plunge in the Hang Seng Index, at what point will you become concerned about business confidence being eroded?

[Patten] I am principally concerned for the medium and long-term confidence of investors and of the business community in Hong Kong.

I don't think it's helpful for me to comment on the ups and downs of the index. It wouldn't have been helpful for me to try to describe the reasons for the climb of the index over the last year or even since I spoke to the Legislative Council in October. I don't want to say anything about the last week although I think the facts speak for themselves.

For the medium and long-term what is important is to keep hold of the fundamentals of having a macroeconomic policy, of an open trading position and the importance to us of continuing free trade and the fundamental fact of the relationship between our way of life, the rule of law, the values of our society, and our prosperity and stability.

If I was to do anything which threatened any of those areas, I think that for the medium and long-term it would be very damaging for Hong Kong."

[Quon] How do you win over local business confidence when many in the business community do not support your reform package?

[Patten] I can only go on arguing that there is a very close relationship between Hong Kong's stability and prosperity and the guarantees of our way of life in the future. I think if "one country, two systems" was to be reinterpreted as one country, one and a bit systems, Hong Kong wouldn't be a successful place economically.

If anybody is suggesting that the only way I could obtain business confidence and ensure it in the future was to spend five years as Governor of Hong Kong resisting every modest pressure on the part of groups and community leaders in Hong Kong for a little more say in determining our own lives, I think that is pretty far fetched. I don't believe that would be good for business or political stability to put forward proposals for 1995 elections that are plainly unfair. That certainly wouldn't have done anything for business confidence as we got closer to 1997.

[Quon] There have been reports that China is prepared to set up a shadow government if you do not back down from your political reforms. How seriously do you take this threat?

[Patten] You will have to ask Chinese officials. All I know is that the government of Hong Kong would be as it is until 1997. We will be taking decisions where proper and appropriate, discussing those decisions with Chinese officials as we have done sometimes with franchises which run beyond 1997.

[Quon] Are you concerned that there would be an erosion of support from business that are pro-British? That it is not simply the pro-China companies who might be opposed to your reforms?

[Patten] We are presumably thinking about our responsibilities not only for the next week or month but beyond 1997. What I have to try to ensure is that whatever is said and done, we have in place as far as we can, arrangements in 1997 that will help ensure the implementation of the Joint Declaration. The Joint Declaration isn't about targeting people. It has a different concept of what Hong Kong should be like and must be like to be successful.

When I put forward my proposals to the Legislative Council—proposals which were widely supported at the time, I did say that they seemed to represent the best point of balance in the community. They didn't go as far as what the liberals, prodemocracy groups had been pressing, or as far as the British Government had been pressing since 1989. When described to visitors, I find the reaction is invariably one of considerable puzzlement.

Those proposals represented, broadly speaking, where the community was prepared to rest. The accuracy of that judgement is perhaps confirmed by what the Legislative Council has done or said subsequently.

When we decide over the next weeks on the best way forward, when we decide in the Executive Council [Exco] what proposals to put before the Legislative Council we will have to once again take a view on what is the point of balance in the community.

I didn't dream up these proposals on my own, I didn't sketch them out on the back of an envelope.

One reason they are quite familiar is that they are arguments which have been put in Hong Kong for some time. I obviously want to come off at the end of the day as I have said again and again, with proposals which are not only fair, which aren't only open but are acceptable to the people of Hong Kong because if they aren't acceptable they won't stick.

That point about acceptability isn't a bad one. What would have happened if we had a replay of the Court of Final Appeal. If I had gone off and if we had arrived at some secret deal and come back in a year's time, the Legislative Council [Legco] wouldn't have bought it.

[Quon] It's possible that within the next two or three months that someone in Legco will come out with a set of alternative political proposals. Say if someone comes back on the two proposals that you suggested earlier were the controversial sticking points. Will alternative proposals be discussed in Legco; does it go to you or to Exco?

[Patten] There are two ways which depend on time.

First, ideas might emerge before Exco actually makes a decision about what to put before Legco which appear to meet the criteria that I have mentioned.

Secondly, it's possible that after the Legislative Council has started to debate these matters, it may amend or change them in a way that gets greater support within Legco and has greater support within the community.

But it's slightly difficult at the moment to say which of those routes it may go. Equally, given the votes that have taken place in Legco so far, it's perfectly possible that the proposals that I have put to Legco will go through as they are. Any of those courses are possible.

Don't forget that our judgement about the community seemed to be very strongly endorsed by the Legislative Council as recently as November 11.

If there were other proposals which were put forward which seem to meet our criteria more successfully than the ones I have put forward, then Exco will no doubt, with the Governor, want to take account of those as well.

Let me give you one example, since it is one that you've referred to in your leaders of how some proposals leave us way short of anything that would likely be acceptable to the community. People talk about different sorts of election committees. What they haven't addressed is how it will be arrived at. The main argument of an election committee is about its choice and credibility. Presumably people wouldn't regard an election committee as being wholly acceptable if it was chosen by the manager of the South China football team. There are serious arguments which still have to be addressed by some of those who, very helpfully, have put forward proposals.

[Quon] What about the strategy of what happens now? It is clear there is going to be some backsliding now that China is turning up the heat. As I see it, one of the problems is that from the Government's point of view there is the danger of endless repetition. People are not able to see very far forward beyond the Legco vote. Is this simply a recipe for long-term confrontation? Are you saying that this is what Hong Kong has to accept for the next two to four years given you are going to face a very hostile attitude from China, which will do the sort of things it has done this week to destabilise the market?

[Patten] First of all, I don't think one should slip too far into assuming moral equivalence. One thing which some people have criticised us for as a defect in our strategy is the verbal and communications restraint that we have shown over the last few weeks. Perfectly deliberate on my part. There are a lot of things that could have been said, there are a lot of things that might have been said that haven't been said by us. Quite deliberately, it hasn't had a notably civilising effect on the dialogue. [sentence as published] It hasn't necessarily meant that there has been restraint by others.

Secondly, what do we want to secure? We want to secure the best long-term future for Hong Kong and that is not just what happens in November, December 1992. It is what happens when this argument is out of the way in the Legislative Council next spring. From there not just through to 1997, but for the 50 years which are guaranteed in the Joint Declaration thereafter.

I could I suppose have chosen to take this argument over two or three years to have had us hacking through the Joint Liaison Group, but with what effect? With what effect on people's assurances about the future and the discharge of other business?

And sooner or later, you are going to have to face up to the issues of principle on which we are now fixed.

Do we have arrangements, whatever they are precisely, that the 1995 elections are clean? [sentence as published]

Do we think that Hong Kong is a system which we should do our best to preserve before and after 1997? Those are the issues and I think you are better off addressing them five years before 1997 rather than in the immediate run-up to 1997.

[Quon] Are you saying you are prepared to tough it out until 1997?

[Patten: What I am saying is that I am not prepared unilaterally to tell this community that I won't back the community if it decides that it wants to draw the line around our system in this or that particular place or direction.

I repeat that what I have to try to do is using my best judgement, reach a conclusion about how the community wants to develop over the next few years. If I don't do that and try to govern Hong Kong without taking account of that, I am not going to be able to secure either the prosperity or stability in the long-term that everybody must want. So having reached a conclusion in October about where the community stands I will be faced with making similar decisions in the next few weeks and months.

#### Officials Reject PRC Declaration Interpretation

HK0612041492 Hong Kong *THE SUNDAY STANDARD* in English 6 Dec 92 p 4

[By Neville de Silva]

[Text] Beijing is reviving an argument over the interpretation of the Joint Declaration which could exacerbate the Sino-British row making compromise virtually impossible, according to observers in Hong Kong.

Chinese diplomatic sources said the Joint Declaration clearly states that Hong Kong's current economic and social systems and the laws currently in force should remain unchanged.

"The Joint Declaration is quite clear on that. It uses the word 'current,' and by that China means the systems existing when we signed the Joint Declaration," a Chinese diplomat told *The Sunday Standard*.

Governor Chris Patten, however, flatly rejected the argument: "Clearly this cannot be so. To accept that interpretation would mean that everything is frozen as of 1984."

Asked whether such an interpretation of the Joint Declaration would not nullify the decision to introduce even a limited number of directly-elected seats in the 1991 Legislative Council, Patten agreed. "It would nullify not only that but several other decisions and laws as well," he said.

Chief Secretary David Ford also rejected the Chinese interpretation of Articles 3 and 5 of the Joint Declaration which refer to the status of Hong Kong laws and the economic and social systems after 1997.

Legislative councillor and member of the conservative Co-operative Resources Centre, Ronald Arculli, also found the interpretation unacceptable. "Few communities stand still, and, if this is the interpretation of the Joint Declaration, then Hong Kong must remain basically the same," he said.

Referring to some recent laws, Arculli said that the decriminalisation of homosexuality and the removal of the death penalty from the statute books "significantly alters the existing position". If the Chinese interpretation is accepted, then these laws are invalid.

Leader of the United Democrats and legislative councillor Martin Lee dismissed the Chinese interpretation of the Joint Declaration as ridiculous.

"Not only is this interpretation non-sensical, that particular Article of the Joint Declaration refers to economic and social systems. It does not say anything about the political system. In any case, political development in Hong Kong has nothing to do with China," he said.

The legal fraternity's representative in the legislature, Simon Ip, also dismissed the Chinese argument saying that it "does not make sense".

"If 1984 is the critical date, then that is 13 years before the change of sovereignty. If you accept that interpretation, it means Hong Kong is expected to remain static during that period. You can't freeze a society."

#### Democrats Leader Calls for Political Autonomy

HK0612023092 Hong Kong *SOUTH CHINA SUNDAY MORNING POST* in English 6 Dec 92 p 11

[Article from the "Agenda" page by Martin Lee, leader of the United Democrats and Legislative Council member]

[Text] Hong Kong is not Shenzhen. Whether this changes after 1997 and we become another Shenzhen is what the conflict between China and Hong Kong is all about. Make no mistake: the dispute is not one over how many people can vote in the nine new functional constituencies or whether the appointed district board members can hold on to their seats. It is about whether Hong Kong will enjoy the genuine autonomy promised under the Joint Declaration—whether we will genuinely have one country, two systems, or whether Hong Kong will become just another special economic zone with capitalist economics and communist politics.

Beijing's recent tirades demonstrate how little the dispute has to do with Governor Mr Chris Patten's constitutional proposals. Beijing refuses even to discuss the proposals; rather, PRC officials have taken the hard-line stance that until Mr Patten capitulates and completely withdraws his plans, they will not enter into any negotiations.

Not only are PRC officials refusing to discuss any compromise over the proposals, they are also attacking Hong Kong over a whole series of economic issues that are unrelated to the question of the future composition of Legco [Legislative Council]. The extraordinary aggressiveness of the threat to void all pre-1997 contracts (a threat which flies in the face of the clear provisions of Article 160 of their Basic Law) has made clear the intention of PRC officials is to force the humiliation of the Hong Kong Government. Rather than seeking to negotiate, Beijing is seeking total capitulation on the part of Mr Patten so Beijing can restore the master-servant relationship between China and Hong Kong the British Foreign Office sinologists were so willing to accept in the past.

Beijing's defenders in the territory argue the PRC has a legitimate grievance in objecting to democratic changes the British Government was never willing to introduce in its 150 years of colonial rule over Hong Kong. When they argue against democratic reforms, however, it would seem their real disagreement lies not so much with Mr Patten's proposals but with the Joint Declaration and with the people of Hong Kong.

The Joint Declaration does not merely promise "one country, two economic systems" but rather sets out in great detail that Hong Kong is to have a separate and fully autonomous political system. Indeed, the cornerstone of the Joint Declaration is Beijing's recognition that for Hong Kong's economy to continue to flourish, Hong Kong must have political autonomy. In order to create this system of "Hong Kong people ruling Hong Kong", China and Britain recognised they could not freeze the colonial political structure of 1984; major changes would be needed to make one country, two systems work.

In paragraph after carefully constructed paragraph, the Joint Declaration sets out these necessary changes.

Unlike the entirely appointed Legco of 1984, the post-1997 Legco is to be fully elected. Unlike our present reliance on the law of Britain, after 1997 the law of Hong Kong is to be completely separate from the mainland's. And, unlike the present supremacy of the British Privy Council, our courts are to possess the power of final adjudication over our law after 1997.

Viewed objectively, then, it cannot be argued Mr Patten is going against the Joint Declaration when he introduces his modest plans for elections to Legco in 1995; rather, he is specifically required by the 1984 agreement to bring these changes about before 1997. And he does so with the over-whelming support of the Legislative Council and the people of Hong Kong.

While both the wording of the Joint Declaration and the democratic aspirations of the people of Hong Kong may be clear, it is obvious from its recent onslaught Beijing is not prepared to respect either. Beijing's intransigence has caused great disquiet in Hong Kong, sending the stock market into a precipitous slide and causing us all to think hard how we should deal with a government that is not prepared to respect its agreements.

The response from the sinologists who crafted Hong Kong policy for so long has been predictable: appeasement. "The logic or fairness of the Chinese response is neither here nor there; what matters is whether they will carry out their threats," Sir Percy Cradock, the architect of the appeasement policy, wrote earlier this week in a letter to *The Times*. As Sir Percy has it, no matter the degree to which China breaches the promises of the Joint Declaration or tramples on Hong Kong's legitimate democratic aspirations, Hong Kong should passively accept China's actions for fear the Communists could do worse. Such a policy of craven appeasement, however, only invites Beijing to become even more aggressive in disregard of its promises and treaty commitments. Beijing's disregard of the provisions of the recently signed Memorandum of Understanding on the airport is a sad case in point.

As much as all of us would like to see good relations between Hong Kong and China, tearing up the Joint Declaration to appease Beijing is certainly not the answer. If we capitulate on the proposed reforms, when they are entirely consistent with the Joint Declaration and have the strong support of the people of Hong Kong, we will only be asking Beijing to dictate on all other important issues in the territory. When we have thrown away our autonomy, what will separate Hong Kong from Shenzhen?

Without democratic and accountable government and without the rule of law, Hong Kong will experience a surge in the corruption and guanxi [influence-peddling] that is endemic across the border, and the international business community will lose confidence in our ability to function as a reliable financial centre. Even more alarming is the prospect that once we lose our autonomy,

our key trading partners will no longer threat us separately but regard us instead as just another part of China.

All of the benefits we get as a separate trading entity—special quotas, special tariffs, access to high technology, etcetera—would be lost. For example, under the recently passed U.S. Hong Kong Policy Act, Hong Kong will not be treated separately under U.S. trade law if “the President determines that Hong Kong is not sufficiently autonomous to justify treatment...different from that accorded to the People’s Republic of China”. The long-term economic harm of such a development would be incomparably greater than the short-term problems we are facing.

In dealing with the current situation, we in Hong Kong must remain calm and rational. We must not delude ourselves that capitulating to Beijing will solve anything. Rather, the only way forward is to adhere resolutely to the Joint Declaration and urge Chinese leaders to forsake their pressure tactics in favour of the long-term interests of Hong Kong and China. For, as those leaders presciently recognised in 1984, one country, two systems is vital not only to our system in Hong Kong, but also to our country of China.

Without the Joint Declaration, we just become Shenzhen.

#### PRC, Hong Kong Lobbying To Woo Legislators

HK0712034392 Hong Kong SOUTH CHINA MORNING POST in English 7 Dec 92 pp 1, 2

[By Jeremy Lau, Louis Ng, and Lana Wong]

[Text] Intensive lobbying is under way to win the support of key floating voters in the Legislative Council [Legco] for the Governor's political reforms, even though the crucial vote is more than two months away.

About 12 legislators thought to be undecided on which way they will vote next February have been targeted by both the Hong Kong and Chinese governments in an intense behind-the-scenes battle to win their “hearts and minds”.

The intense pressure to win over legislators includes bullying from China, which is using pro-mainland business contacts to lobby directly.

China is said to be appealing to legislators' patriotism to win their support.

Both sides are said to be inviting legislators to briefing sessions and dinners. Legislators who are largely decided on their stance have also been lobbied, but to a lesser extent.

In their campaign, Hong Kong officials have stressed that they are willing to listen to compromise proposals as long as they are fair and acceptable to the people of Hong Kong.

On the Chinese side, officials from the New China News Agency [NCNA—XINHUA] have tried to persuade legislators that a vote for them is a vote for the “long term”.

Although the Hong Kong Government is confident it has a majority of 34 legislators who will support Mr Chris Patten, some within the administration are less confident the margin will be so convincing and put his backing at 25 legislators.

To strengthen that support, the Government will appoint liberal lawyer Ms Anna Wu Hung-yuk to fill the Legislative Council vacancy created by Mrs Rita Fan Hsu Lai-tai when she resigned her seat on October 7—the day Mr Patten outlined his political blueprint for the future of Hong Kong.

Ms Wu, a solicitor in private practice, has been chosen largely because of her liberal political views and backing for democratic and representative government.

She is expected to throw her weight behind the constitutional reforms when the relevant legislation is put to Legco.

Government officials are hoping to have the legislation ready for February 3, the first Legco session after the Lunar New Year break.

Legislators are expected to set up a committee to study the bill, which is likely to be heavily amended in a process that could take several months before it is finally passed.

Among the group of 12 being lobbied by both sides are Mr Frederick Fung Kin-kee, of the Association for the Democracy and People's Livelihood, Mr Jimmy McGregor, of the Hong Kong Democratic Foundation, independents Mr Hui Yin-fat, Mr Eric Li Ka-cheung, Mr Timothy Ha Wing-ho, Mr Andrew Wong Wang-fat, Mr Marvin Cheung King-tung and Mr Pang Chun-hoi.

The liberal group Meeting Point, which supports Mr Patten's proposals, had been asked by NCNA officials several time to visit Beijing, its legislator Mr Fred Li Wah-ming said.

The latest invitation was extended late last month, he said.

However, he declined to say whether the group had accepted the invitation in principle, and said the visit should be carefully timed to avoid affecting its image.

Meanwhile, most of the 21 legislators elected through functional constituencies are planning to consult their constituents before taking a position on Mr Patten's political reform package.

The majority of those contacted by the POST said their constituents' opinions would be the most important, if not the sole, factor when they cast their vote next February.

Medical representative Dr Leong Che-hung said he had sent out about 7,400 questionnaires to his constituents in October.

He said 800 questionnaires had so far been returned.

Dr Leong, also a Meeting Point legislator, said some 66 percent agreed with the expansion of electorate bands to the nine new functional constituencies.

He added that more than 80 percent supported all district board and municipal council members being directly elected.

Social service sector representative Mr Hui will send out questionnaires this week to social workers working under the member organisations of the Hong Kong Council of Social Service.

Engineer Mr Samuel Wong Ping-wai and tourism representative Mr Howard Young said they would also conduct surveys.

"My decision will be based on the results of the survey," Mr Wong said.

He added that initial responses from his electors showed they ranked prosperity and stability higher than democracy.

Legal representative Mr Simon Ip Sik-on, who has shown support for the Governor's proposals, said he had discussed his stance during regular meetings with other legal representatives.

The council of the Bar Association is understood to have discussed the proposals last week, although no definitive stance could be reached at the meeting.

The council is drafting a background paper on the issue for further discussions.

Surveyor representative Mr Edward Ho Sing-tin said he would also consult his constituents.

He expected to have a meeting with some surveyors later this month.

Accounting representative Mr Peter Wong Hong-yuen will consult his voters closer to the time.

#### **Legal Aspects of PRC Stand on Contracts Issue**

HK0712050592 Hong Kong SOUTH CHINA  
MORNING POST in English 7 Dec 92 p 19

[Article from the "Analysis" page by Executive Council member Denis Chang Khen-Lee, Queen's Council]

[Text] "Investors can set their hearts at ease." Those words of Deng Xiaoping seemed all but forgotten after Chinese officials made their pronouncements on Container Terminal 9 [CT-9] and the validity of contracts straddling 1997. My focus is not on the political fall-out but on the legal implications. When politics fails to give succour, the law may yet provide some refuge.

My starting point is still the Joint Declaration as implemented in the Basic Law.

Article 8 of the Basic Law makes it clear that laws previously in force in Hong Kong shall be maintained, except for any that contravene the Basic Law and subject to any amendments by the Special Administrative Region (SAR) legislature.

Article 160 says: "Documents, certificates, **contracts**, and **rights and obligations** valid under the laws previously in force in Hong Kong shall continue to be valid and be recognised and protected by the Hong Kong SAR provided that they do not contravene this Law."

Article 120 reflecting Annex III of the Joint Declaration provides that "all leases of land granted, decided upon or renewed before the establishment of the Hong Kong SAR which extend beyond June 30, 1997, and all rights in relation to such leases, shall continue to be recognised and protected under the law of the Region".

Article 120 thus makes no distinction between private treaty grants and other types of grant. It makes plain that not only will recognition be given to the leasehold interests granted but "**all rights** in relation to such leases" will also continue to enjoy protection.

To the extent that such leases are "contracts" they are likewise protected under Article 160 which makes **no** distinction between private contracts and government contracts. These arrangements have had a great stabilising effect. They are also necessary to make good the promises enshrined in both the Joint Declaration and Basic Law that private investment will continue to be protected.

Both the Joint Declaration and the Basic Law are meticulous when it comes to protection of private investment. Container terminals are singled out for special mention. Article 127 says: "... private container terminals in the Hong Kong SAR may continue to operate freely".

International law and practice favours the protection of the acquired rights of private persons, whether proprietary, contractual or concessionary.

In particular, the case for continued survival of "contracts of a local character" is advocated by many leading authorities on international law and practice.

One such authority, **Oppenheim**, describes these contracts as contracts which are "locally connected with its land, rivers, main roads, railways and the like".

The Basic Law does not confine its protection to particular classes of contract although it does single out leases for special treatment and **added** protection.

The Basic Law uses the general criterion of "validity under previously existing laws" as the test, subject only to the proviso the Basic Law is not contravened.

In the case of CT-9, the proposed land grant clearly falls within Annex III of the Joint Declaration and Article 120 of Basic Law. The Hong Kong Government is expressly allowed to make such a grant. The Land Commission, pursuant to Annex III, has already approved inclusion of the land under the Government's current land disposal programme.

CT-9 is scheduled to be fully operational prior to 1997. The reclamation and other works which the grantee must undertake will have been completed before 1997. A lot of private investment will have gone into the container terminal project. There is no franchise involved.

Thus, insofar as CT-9 involves a **land grant**, that is protected under Annex III of the Joint Declaration as reflected in Article 120 of the Basic Law. Insofar as it involves a **contract**, which comes under Article 160. Insofar as it is a **private investment**, which is protected, among other things, by Article 127.

As regards **franchises** straddling 1997, the present practice is for the British side to consult the Chinese on the Joint Liaison Group (JLG). That practice, as I understand it, will, as it clearly should, continue.

Existing franchises extending beyond 1997 comprise, in the main, licences and exclusive rights granted under various ordinances, such as the Television Ordinance, Telecommunications Ordinance, the Ferry Service Ordinance, the Peak Tram Ordinance, the Cross Harbour Tunnel Ordinance, the Eastern Harbour Cross Ordinance, the Tate's Cairn Tunnel Ordinance.

These ordinances, of course, form part of the laws of Hong Kong. No one has yet suggested that the ordinances, as such, are incompatible with the Basic Law. The future SAR legislature can of course pass laws to amend existing ordinances, provided such amendments are in accordance with the Basic Law.

It is legally unsound and commercially unrealistic to think of contracts straddling 1997 in terms only of their possible **burden** on the future SAR Government and not of the possibly valuable **rights** to which the SAR Government will be succeeding.

A contractor losing money on such a contract may well be tempted to take advantage of the recent Chinese pronouncement to get out of its contracted obligation come 1997. If a dispute arises over the continued validity of such a contract, the Hong Kong SAR courts will have jurisdiction under Article 158 of the Basic Law to adjudicate on the case.

Unless it is a matter which concerns "affairs which are the responsibility of the Central People's Government" or which concerns "the relationship between the Central Authorities and the Region", the Hong Kong SAR courts will **not** be required under Article 158 to seek an interpretation from the Standing Committee of the National People's Congress (NPC). The Hong Kong SAR courts will be able to proceed to adjudicate upon the case to

find judgement. Article 158 says that "judgements previously rendered will not be affected" by interpretations of the Standing Committee. In other words, such interpretations will have no **retrospective** effect.

The Basic Law comes into operation on July 1, 1997. Quite naturally it makes no provision as to the **prospective** effect of Chinese pronouncements made prior to July 1, 1997. So far, the Standing Committee of the NPC has not purported to issue any interpretation of a law which has not yet come into effect and which the Chinese authorities say cannot be amended prior to July 1, 1997.

The NPC's Standing Committee has, of course, power under Article 160 **upon the establishment** of the Hong Kong SAR to declare what **laws** previously in force in Hong Kong are in contravention of the Basic Law.

This is quite different for a power to make any **prospective** declaration on the validity, or otherwise, of **contracts**.

This does not mean, however, that the incoming sovereign has no right to make its views known or that it has no legitimate interest to protect. It clearly has an interest in the rights and obligations which it will be assuming upon China's resumption of sovereignty.

Such interests can and should be pursued within the four corners of the legally-binding set of arrangements contained in the Joint Declaration including the machinery for consultation with the Joint Liaison Group.

The survival of validly-acquired rights and interests, including those arising under the law of contract, form an essential part of those arrangements.

To undermine contractual rights is to undermine private enterprise in Hong Kong. That, I believe, is **not** China's intention nor would it be in its interests.

### Stock Market Rebounds on Renewed Confidence

HK0512061392 Hong Kong SOUTH CHINA MORNING POST in English 5 Dec 92 p 1

[By staff reporters]

[Text] A dramatic u-turn on the stock market yesterday saw share prices soar as investors scrambled to buy stock they had been desperate to unload just 24 hours previously. In a sharp reversal of Thursday's [3 December] panic-induced eight percent drop—the steepest decline since the Tiananmen Square massacre—the Hang Seng Index closed up about 290 points at 5,268.10, a rise of nearly six percent.

"People have come to their senses a little bit," said Mr Man Chan-wah, research manager at Standard Chartered Securities. "But they are still cautious for the long term. China could make another remark, and everybody would be selling again."

**Despite the gains made yesterday, the stock market lost 12 percent over the week and remains 18 percent off its mid-November record high of 6,447.11.**

**Dealers said the buying was led by European investors who viewed the tension between London and Beijing as only short-term and thought Hong Kong stocks were now good value. Stocks such as Cathay Pacific, the target of a furious sell-off on Thursday, were suddenly in short supply. Cathay Pacific shares soared with a rise of more than 10 percent.**

**More than \$5.4 billion in shares changed hands on a day even more frantic than Thursday, with the Hang Seng Index rising 250 points in the first few minutes of trading. However, the rise did not fully cancel out Thursday's collapse. Many analysts are expecting a further mild rise on Monday [7 December] in a much calmer atmosphere as long as there are no major political developments. This was echoed on the London exchange where there was little movement in Hong Kong stocks yesterday.**

**Trading on Hong Kong's Futures Exchange continued at high volumes. But analysts were loathe to confidently predict what the week's result, down 68 points, on record trading, indicated about the direction of the Hang Seng Index next week. One dealer said: "Yesterday was very, very strange. The rise on the spot market came over from London, people were selling futures early in the morning when the discount widened out to 120 points.**

**"It was a totally bizarre day."**

The bounce back will give some relief to the embattled Governor, Mr Chris Patten, whose proposals for democratic reform have been blamed for provoking the dispute with China, and in turn, a jittery climate for investment. He will also be encouraged by support yesterday from Lord Howe, who as Britain's foreign minister negotiated the 1984 Sino-British Joint Declaration for Hong Kong, and his successor, Mr Douglas Hurd.

Lord Howe said in Beijing yesterday that Mr Patten's democracy reforms were aimed at securing a smooth transition from British to Chinese rule. "Britain's interest, Christopher Patten's interest, is solely in securing the best possible outcome, the best possible future for Hong Kong," he said. He called on China to step down from its no-talks, no-compromise position. In London, Mr Hurd said China had no right to dictate policy to Hong Kong in areas outside its responsibility.

**Correction to Li Ruihuan on Early Takeover**  
HK0312031392

The following correction pertains to the item subheaded "Assures No Early Takeover" published in the 2 December China DAILY REPORT on page 77:

Column one, first paragraph, first sentence make read: ...CPC Central Committee Political Bureau Standing Committee member,... (providing full title of committee)

Column two, first paragraph, penultimate sentence make read: ...relevant departments. Wang Qiren, vice director of.... (correcting name)

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